

U.S. Mid- and Small-Cap Banks 1Q21 Earnings Preview

Even with the Big Move in Bank Stocks, Significant Upside Remains Given Rate and Credit Tailwinds

Despite the strong performance of regional bank stocks, which have increased 28% YTD as well as 103% over the past year, we reiterate our bullish sector stance. We believe that as momentum in the economy continues to build and the Fed makes progress on its mandate to achieve full employment, this will create a sustained tailwind lifting not only inflation (at least over the short run) but interest rates as well (again, at least over the short run). Moreover, with stocks in our group *trading at only 1.3x TBV even after the strong outperformance*, this is still *well below* the pre-pandemic level (of 1.9x in 2019) as well as longer-term average (in the 2x range). While we're not expecting to hear anything particularly exciting in 1Q21 earnings calls, the key in our view is to be long the sector today, which is (1) *before* NIMs start to expand, (2) *before* a mountain of reserves start to get released, (3) *before* loan growth improves, and (4) *before* capital return accelerates. In fact, once this checklist of "befores" become "afters", it's likely that regional bank stocks will be trading at 2x+ P/TBV which implies *an additional 40%+ upside at the low-end* from current levels. On rates, even though the 10-year has increased 79 bps YTD, the 2/10 spread is only in line with the historical average with this level and likely to move to prior peaks (in the 200+ bps range), particularly with another \$2T of stimulus now passed. As for credit quality, while there will be one-off credit challenges for banks to work through, with vaccines rolling out and an additional stimulus passed, we see this as the credit cycle with empty calories (meaning no widespread credit risk). As a result, as economic forecasts are now improving, banks will accelerate the pace of releasing reserves. Loan demand in the back half of the year should gradually pick up along with economic growth, and NIMs may have reached an inflection point, with higher long-term rates gradually flowing into earning asset yields. Moreover, rather than investors needing to view regional banks as a way to make a quick buck and run, we now see many names as buy and "hodls" (a term used by crypto investors to convey long-term holds) for the long term, including FRC, SIVB, SBNY, PNFP, and HBAN.

- **Rising Rate Playbook.** Although the 2/10 spread has increased notably YTD, with this benefitting yields on fixed rate assets (loans and securities), it will take time for this benefit to fully work through NII (with a notable lift to NIMs likely not until 2023). With that said, given rising odds of a lift in the fed funds rate, with Libor to lead, this could provide yet another NIM catalyst over time. While the timing for rising rates will take time to work through NIMs, the negative impact to gain on sale margins should be more immediate (weighing on FBK, TCBI, and UMPQ).
- **Introducing 2023 Estimates.** We assume the latest forward curve, which includes by the end of 2023: (1) fed funds rate at 0.32% (or just above 1 full rate hike) and (2) 10-year yield at 2.50%. Given the improved rate environment flowing through NIMs, we look for EPS growth of 14% on average in 2023.
- **We See Many Names as Buy and "Hodls".** Although we see significant upside potential in regional banks over the near term, with many also positioned to drive years of outsized returns, we see many as being "hodls" including: (1) FRC and (2) SIVB, with each bank in the catbird seat to ride the innovation economy wave, (3) SBNY, which is emerging as the top player in banking the crypto ecosystem, (4) PNFP given its Atlanta expansion, and (5) HBAN, which is giving fintechs and larger players a run for their money with a very customer-friendly product set.

See page 180 for analyst certification and important disclosures.

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U.S. Mid and Small Cap Banks

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Equity Ratings and Price Targets

Company	Ticker	Mkt Cap (\$ mn)	Price (\$)	Rating		Price Target			
				Cur	Prev	Cur	End Date	Prev	End Date
Amalgamated Financial Corp	AMAL US	515.11	16.59	N	n/c	18.00	Dec-22	17.50	Dec-21
BankUnited	BKU US	4,180.89	43.95	OW	n/c	55.00	Dec-22	43.00	Dec-21
Cadence Bancorporation	CADE US	2,611.54	20.73	N	n/c	23.00	Dec-22	21.50	Dec-21
Comerica Incorporated	CMA US	9,983.87	71.74	UW	n/c	72.00	Dec-22	56.00	Dec-21
Cullen/Frost Bankers Inc.	CFR US	6,853.08	108.76	UW	n/c	105.00	Dec-22	85.00	Dec-21
Eastern Bankshares	EBC US	3,602.57	19.29	N	n/c	22.00	Dec-22	18.50	Dec-21
FB Financial	FBK US	2,124.82	44.46	UW	n/c	42.00	Dec-22	36.00	Dec-21
First Hawaiian	FHB US	3,566.71	27.37	UW	n/c	27.50	Dec-22	24.50	Dec-21
First Horizon Corp	FHN US	9,385.05	16.91	OW	n/c	21.00	Dec-22	18.00	Dec-21
First Republic	FRC US	28,866.26	166.75	OW	n/c	210.00	Dec-22	180.00	Dec-21
Great Western Bancorp, Inc.	GWB US	1,666.38	30.29	N	n/c	34.00	Dec-22	26.00	Dec-21
HBT Financial, Inc.	HBT US	470.07	17.12	N	n/c	19.00	Dec-22	16.50	Dec-21
Huntington Bancshares	HBAN US	15,987.24	15.72	OW	n/c	20.00	Dec-22	16.50	Dec-21
KeyCorp	KEY US	19,495.94	19.98	N	n/c	22.50	Dec-22	19.50	Dec-21
Metropolitan Bank Holding Corp.	MCB US	423.92	50.36	OW	n/c	75.00	Dec-22	50.00	Dec-21
New York Community Bank	NYCB US	5,854.44	12.62	N	n/c	13.50	Dec-22	12.00	Dec-21
Pinnacle Financial Partners	PNFP US	6,724.86	88.66	OW	n/c	115.00	Dec-22	100.00	Dec-21
Signature Bank	SBNY US	12,110.95	226.10	OW	n/c	315.00	Dec-22	250.00	Dec-21
SVB Financial Group	SIVB US	25,615.26	493.66	OW	n/c	650.00	Dec-22	550.00	Dec-21
Synovus Financial Corp.	SNV US	6,772.81	45.75	N	n/c	52.00	Dec-22	43.00	Dec-21
Texas Capital Bancshares, Inc.	TCBI US	3,579.36	70.92	UW	n/c	65.00	Dec-22	55.00	Dec-21
Umpqua Holdings Corporation	UMPQ US	3,864.97	17.55	UW	n/c	18.00	Dec-22	15.00	Dec-21
Valley National Bancorp	VLV US	5,549.02	13.74	N	n/c	15.50	Dec-22	12.00	Dec-21
Webster Financial Corporation	WBS US	4,940.34	55.11	OW	n/c	68.00	Dec-22	58.00	Dec-21
Zions Bancorp NA	ZION US	9,018.39	54.96	N	n/c	62.00	Dec-22	53.00	Dec-21

Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates. n/c = no change. All prices as of 31 Mar 21.

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Table 1: JPM U.S. Mid- and Small-Cap Banks Valuation

J.P. Morgan U.S. Mid- and Small-Cap Bank Universe																			
Ticker	Company	JPM Rating	Senior Analyst	Last Price	Dec '22 Price Target	Total Assets (\$ Bil.)	Market Cap (\$ Bil.)	Price/ 2021E EPS (x)	Price/ 2022E EPS (x)	Price/ 2023E EPS (x)	Core EPS 2021E	Core EPS 2022E	Core EPS 2023E	MRQ TBV Per Share	2022e P/TBV	Dollar Volume 30 Day MA (\$ MM)	Core Deposit Premium (%)	Dividend Yield (%)	Current Short Interest (% of o/s)
AMAL	Amalgamated Bank	Neutral	Alexopoulos	\$16.59	\$18.00	\$6.0	\$0.5	10.3	8.7	7.4	\$1.61	\$1.91	\$2.24	\$16.66	86%	\$1.6	0%	1.9%	0.6%
BKU	BankUnited	Overweight	Alexopoulos	\$43.95	\$55.00	\$35.0	\$4.1	13.8	11.7	9.9	\$3.19	\$3.75	\$4.46	\$30.54	126%	\$31.8	6%	2.1%	2.6%
CADE	Cadence Bancorporation	Neutral	Alexopoulos	\$20.73	\$23.00	\$18.7	\$2.6	10.7	10.8	10.2	\$1.94	\$1.92	\$2.04	\$15.83	114%	\$23.5	4%	2.9%	3.2%
CMA	Comerica	Underweight	Alexopoulos	\$71.74	\$72.00	\$88.1	\$10.0	14.3	13.3	11.5	\$5.03	\$5.41	\$6.23	\$53.27	126%	\$117.3	4%	3.8%	1.7%
CFR	Cullen/Frost	Underweight	Alexopoulos	\$108.76	\$105.00	\$42.4	\$6.9	20.6	19.0	17.4	\$5.27	\$5.72	\$6.26	\$55.40	184%	\$47.9	10%	2.6%	4.1%
EBC	Eastern Bankshares	Neutral	Lee	\$19.29	\$22.00	\$16.0	\$3.6	26.5	24.8	19.7	\$0.73	\$0.78	\$0.98	\$16.34	112%	\$21.5	0%	1.2%	0.0%
FBK	FB Financial	Underweight	Lau	\$44.46	\$42.00	\$11.2	\$2.1	14.2	15.0	13.7	\$3.13	\$2.97	\$3.25	\$21.64	172%	\$7.4	13%	1.0%	2.2%
FHB	First Hawaiian	Underweight	Alexopoulos	\$27.37	\$27.50	\$22.7	\$3.6	15.7	14.6	12.5	\$1.74	\$1.87	\$2.19	\$13.46	191%	\$19.9	12%	3.8%	3.5%
FHN	First Horizon National	Overweight	Alexopoulos	\$16.91	\$21.00	\$84.2	\$9.4	11.9	11.0	9.7	\$1.43	\$1.53	\$1.75	\$10.23	145%	\$128.9	6%	3.5%	1.4%
FRC	First Republic Bank	Overweight	Alexopoulos	\$166.75	\$210.00	\$142.5	\$29.4	26.9	22.5	17.7	\$6.21	\$7.41	\$9.41	\$57.64	232%	\$180.2	21%	0.5%	1.9%
GWB	Great Western Bancorp	Neutral	Lee	\$30.29	\$34.00	\$12.8	\$1.7	11.3	10.3	9.2	\$2.68	\$2.93	\$3.31	\$19.28	122%	\$13.3	6%	0.1%	2.1%
HBT	HBT Financial	Neutral	Elian	\$17.12	\$19.00	\$3.7	\$0.5	10.6	9.4	8.4	\$1.62	\$1.82	\$2.04	\$12.29	120%	\$0.7	N/A	3.5%	1.0%
HBAN	Huntington Bancshares	Overweight	Alexopoulos	\$15.72	\$20.00	\$123.0	\$16.1	11.6	10.6	8.9	\$1.36	\$1.48	\$1.76	\$8.48	164%	\$184.0	8%	3.8%	4.1%
KEY	KeyCorp	Neutral	Alexopoulos	\$19.98	\$22.50	\$170.3	\$19.2	9.9	9.2	8.2	\$2.02	\$2.16	\$2.45	\$13.60	128%	\$219.7	5%	3.7%	1.6%
MCB	Metropolitan Commercial Bank	Overweight	Lau	\$50.36	\$75.00	\$4.3	\$0.4	8.7	7.4	6.1	\$5.76	\$6.77	\$8.29	\$39.25	97%	\$4.0	3%	0.0%	1.0%
MTB	M&T Bank	Not Rated	Alexopoulos	\$151.61	N/A	\$142.6	\$19.5	N/A	N/A	N/A	N/A	N/A	N/A	\$80.49	N/A	\$154.3	8%	2.9%	2.2%
NYCB	NY Community Bancorp	Neutral	Alexopoulos	\$12.62	\$13.50	\$56.3	\$5.9	10.8	9.3	8.4	\$1.17	\$1.35	\$1.50	\$9.52	116%	\$66.2	6%	5.4%	4.0%
PBCT	People's United	Not Rated	Alexopoulos	\$17.90	N/A	\$63.1	\$7.6	N/A	N/A	N/A	N/A	N/A	N/A	\$10.77	N/A	\$113.2	7%	4.0%	2.0%
PNFP	Pinnacle Financial	Overweight	Alexopoulos	\$88.66	\$115.00	\$34.9	\$6.7	15.4	14.5	12.6	\$5.77	\$6.12	\$7.04	\$37.25	194%	\$41.8	N/A	0.8%	1.5%
SBNY	Signature	Overweight	Alexopoulos	\$226.10	\$315.00	\$73.9	\$13.0	18.2	14.8	12.3	\$12.43	\$15.31	\$18.42	\$94.96	202%	\$191.4	15%	1.0%	3.3%
SIVB	SVB Financial	Overweight	Alexopoulos	\$493.66	\$650.00	\$115.5	\$26.6	21.5	19.7	15.8	\$23.00	\$25.00	\$31.24	\$147.92	239%	\$280.5	26%	0.0%	1.6%
SNV	Synovus	Neutral	Alexopoulos	\$45.75	\$52.00	\$54.4	\$6.8	12.9	11.4	9.7	\$3.54	\$4.00	\$4.70	\$27.88	143%	\$47.6	7%	2.9%	1.2%
TCBI	Texas Capital Bancshares	Underweight	Elian	\$70.92	\$65.00	\$37.7	\$3.6	14.7	16.8	15.0	\$4.83	\$4.22	\$4.71	\$53.57	113%	\$78.0	3%	0.0%	7.2%
UMPQ	Umpqua Holdings	Underweight	Alexopoulos	\$17.55	\$18.00	\$29.2	\$3.9	10.1	11.4	10.3	\$1.74	\$1.54	\$1.70	\$12.27	126%	\$30.7	5%	4.8%	1.5%
VLV	Valley National Bancorp	Neutral	Alexopoulos	\$13.74	\$15.50	\$40.7	\$5.6	11.7	10.8	9.7	\$1.17	\$1.27	\$1.42	\$7.25	152%	\$44.3	10%	3.2%	2.1%
WBS	Webster Holding	Overweight	Alexopoulos	\$55.11	\$68.00	\$32.6	\$5.0	14.5	12.0	10.6	\$3.80	\$4.58	\$5.22	\$28.21	170%	\$35.2	10%	2.9%	1.9%
ZION	Zions Bancorporation	Neutral	Alexopoulos	\$54.96	\$62.00	\$81.5	\$9.0	13.5	12.4	10.9	\$4.07	\$4.45	\$5.05	\$38.42	127%	\$83.5	4%	2.5%	2.0%
Mid- and Small-Cap Bank Average								13.5	11.7	10.3				128%			6%	2.9%	2.0%

Source: Company reports, Bloomberg Finance L.P., and J.P. Morgan estimates. Note: Prices and valuation as of 3/31/21 close.

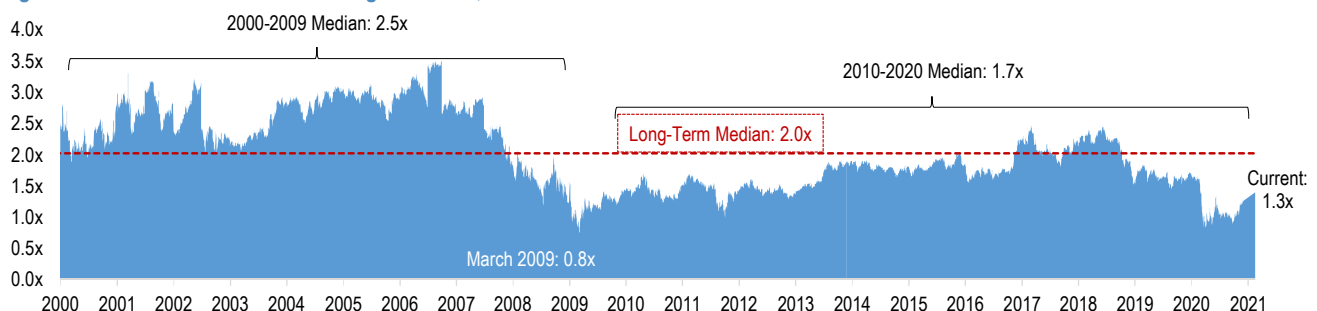
Regional Bank Outlook

Even Though Regional Bank Stocks Have Ripped, Our Key Message Is to Stay the Course and Remain Overweight

Having covered the regional bank sector for many years, we've seen firsthand that the "big money" is typically made in the sector when coming out of an economic downturn. To this end, however, what we have also witnessed firsthand is that for the investors that bought bank stocks early in the economic recovery, a temptation then builds to lock in profits given the materially outsized move in bank stocks. To this end, stocks in our coverage universe have now increased 28% YTD as well as 103% over the past year—with each surpassing the performance of the broader markets by a country mile. Given the significant move in bank stocks over the past several months, as we have been speaking with investors recently it's becoming clear that many are tempted to lock in profits, particularly after witnessing several high-flyers in tech give back many of their prior gains. To this end, however, *our advice at this juncture is to stay the course* and remain overweight regional banks. While we would never fault an investor for locking in gains, in our view there remains still considerable upside in regional bank stocks from current levels. As a result, we continue to strongly advocate that investors *maintain a bullish position* in regional banks.

While we are all tempted to compare the current price of any stock to the price at which the stock was acquired, we would encourage investors to try to put the outsized gains in bank stocks on the back burner for a moment and start with a clean slate. Taking this approach, what we would focus on are two key questions: "are bank stocks cheap or expensive at current valuations" and "are there more headwinds or tailwinds for the sector". While these are the two questions that typically matter most of the time, we find that they offer particular value when trying to assess whether bank stocks have moved "too far too fast" given the strong outperformance of the broader markets. Let's start with valuation. Even after the strong move in regional banks, stocks in our coverage universe are trading at only 1.3x TBV, which is (1) a steep discount to the longer-term average (of 2x), (2) a very steep discount to the median valuation prior to GFC (of 2.5x) and (3) still a steep discount to where the group was trading in 2019 (at 1.9x). As a result, just about any way you slice it we believe regional bank stocks are *still very cheap* by historical standards.

Figure 1: Median P/TBV for Our Coverage Universe, 2000-2021 YTD



Source: Bloomberg Finance L.P. Note: Data as of 3/29/21.

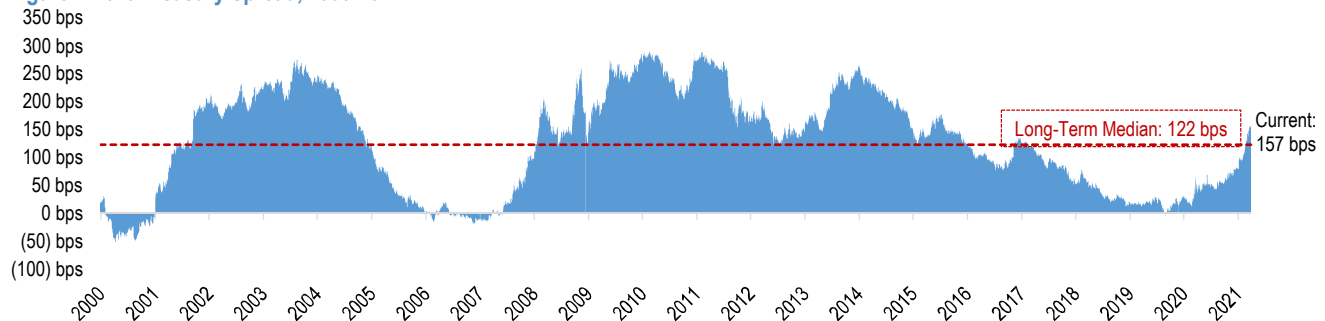
On the prior chart which shows the longer-term P/TBV multiple of the sector, what we also point out is how infrequently bank stocks have actually traded at the median

valuation. In fact, what is clear from the prior chart is that the group tends to trade either well above or well below the longer-term averages. To this end, it is our steadfast view that the sector is poised to not only trade back to the longer-term average but given the abundance of sector tailwinds, we see it as very likely that valuations move to the historical 2x P/TBV range over the short-run and settle somewhere in the 2-2.5x range. With the group currently trading at 1.3x TBV, this still implies considerable upside potential.

Assuming that we are all on the same page that bank stocks are cheap, at least by historical standards, the next question that needs to be addressed is whether there are currently more headwinds or tailwinds facing the sector. To this end, the industry typically faces cross-currents. For example, there have been many periods where credit quality is strong, but the rate environment is a challenge. We've also seen the opposite situation, where the rate outlook was improving but there were credit headwinds. With that said, however, this is one of the *very few periods that we can recall* that the vast majority of key drivers for the sector were each a tailwind. Whether it be interest rates, credit, capital return, expenses, growth, etc—these are *all now trending very favorably for the sector*.

Let us start with interest rates. While we believe it's quite clear that there is a very high correlation between the 10-year yield and bank stocks, we provide a visual of where we could be heading next. In the following chart we provide the trend in the 2/10 spread over time. What is interesting to note from this chart, which is similar to the previous chart on P/TBV, is that with the long-term median 2/10 spread at 122 bps, there has actually been very little time that the 2/10 spread was at the median. In fact, it's typically been either well below or well above the historical average. To this end, we would also point out that with the 2/10 spread recently increasing to the 155 bps range, it appears to us that this is likely to be a sustained move above the long-term average and in the direction of the prior 2/10 peak (in the 2%+ range).

Figure 2: 2/10 Treasury Spread, 2000-2021 YTD



Source: Bloomberg Finance L.P. Note: Data as of 3/29/21.

Our view, however, that the 2/10 spread is likely to move well above the historical average is tied to a combination of (1) highly effective vaccines now working their way into arms, which is positioning the US economy to flip the sign to “open” over the next few months, (2) an already strong economy with momentum about to benefit from another \$1.9T of stimulus getting passed, and (3) Chair Powell giving no indication at the most recent FOMC meeting that Fed was even thinking about stemming the rise in the 10-year yield. As a result, we see the 2/10 spread positioned to continue grinding higher toward prior peaks, taking bank stocks along for the ride. To this end, with bank stocks trading at 1.3x TBV, which is still below the longer-term 2.0x P/TBV multiple, in our view it is crystal clear that investors should remain bullish on regional banks.

Based solely on the rate environment and current valuation, there is enough gas remaining to justify a bullish position, but there are even more tailwinds likely to emerge over the next year providing even more upward support to valuations. First and foremost is credit quality. With the bank industry building a mountain of reserves given (1) the adoption of CECL and (2) the anticipated impact to the economy from the pandemic, with the US economy poised to “reopen” in coming months along with significant additional fiscal stimulus already approved (with the potential for an infrastructure plan being another tailwind), we are bracing that there will not be a credit cycle. That’s right. We said it. No cycle. While there may be a handful of credits that the banks will need to work through, for the most part we see it as very likely that 90% of the “day two” CECL reserves are fully released back into earnings, providing a lift to TBV as well as dramatically increasing excess capital available for buybacks and dividends.

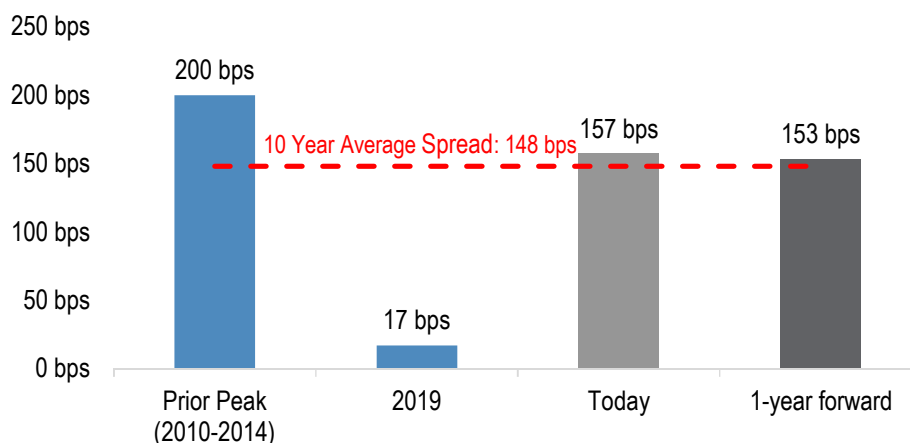
The only question in our view is the potential timing of banks releasing reserves. With management also using significant judgement under CECL (which is life of loan), we may also find some banks moving at a faster pace than others when it comes to releasing reserves but with the economic forecast component improving for all banks, the dam that is holding back a river of reserves is likely to give way over the next few quarters. In addition to the rate and credit environment each providing significant tailwinds for the sector, we also see growth for the sector improving materially through 2021. In fact, although banks are now sitting under a mountain of liquidity, we see this abundance of liquidity as starting to slowly (but steadily) exit the system as consumers start to deploy savings amassed over the past year as well as once businesses start to take advantage of a more robust economic outlook to not move delayed projects back on the front burner but also as sole proprietors start to once again pay themselves (via taking capital out of the business).

In fact, in tandem with liquidity levels starting to drain from the system we see a slow and steady ramp of loan demand through 2021. We recently held meetings with First Horizon CEO Bryan Jordan and explored the sharp increase in commercial loan demand that many banks, including First Horizon, witnessed in December. In fact, Comerica described the loan activity in December as the most robust it had seen since the pre-pandemic period. Although our initial impression was that the improvement in loan demand could have been tied to the US presidential election having concluded, what we learned from CEO Jordan was that the cause for increased optimism among business owners was the news of highly effective vaccines being announced by Pfizer and Moderna. To this end, as individuals are now receiving those vaccines and the daily news on COVID-19 cases is slowly being replaced with news on the percentage of the US population being vaccinated, we see confidence levels seeing even more of a boost. In fact, as the economy starts to reopen we continue to see an unusually high level of optimism amongst businesses and consumers which should lead to a new cycle of spending and investment.

In addition to the economy already having a nice tailwind, which is likely to grow as consumers and businesses accelerate the pace of spending and investment, the US economy will also feel the benefit of the recently passed \$1.9T of stimulus. Not to mention that President Biden released details yesterday of another stimulus plan related to infrastructure with an early price tag being flashed in the \$2T+ range. With momentum building on momentum and an almost endless supply of fiscal stimulus in the pipeline this is perhaps *the strongest macro backdrop for regional banks* that we’ve seen in our 20+ year career of covering the bank sector.

As a result, with the combination of (1) banks being very cheap (even after the run) and (2) significantly more tailwinds than headwinds we remain steadfast in our view that investors remain Overweight regional banks. The biggest risk at this stage would appear to be the Fed aiming to restrict the rise in the 10-year, but given a “stay the current course” message coming from the Fed, altering the current path at least over the short-run appears unlikely. Moreover, what is also providing what we see as a buying opportunity for regional banks at current levels is that even though the yield curve has steepened, a further improvement of the 2/10 spread is currently not anticipated in the forward market. In fact, contrasted to a ~150 bps 2/10 spread today, the one year forward the 2/10 spread is expected to remain roughly in this range.

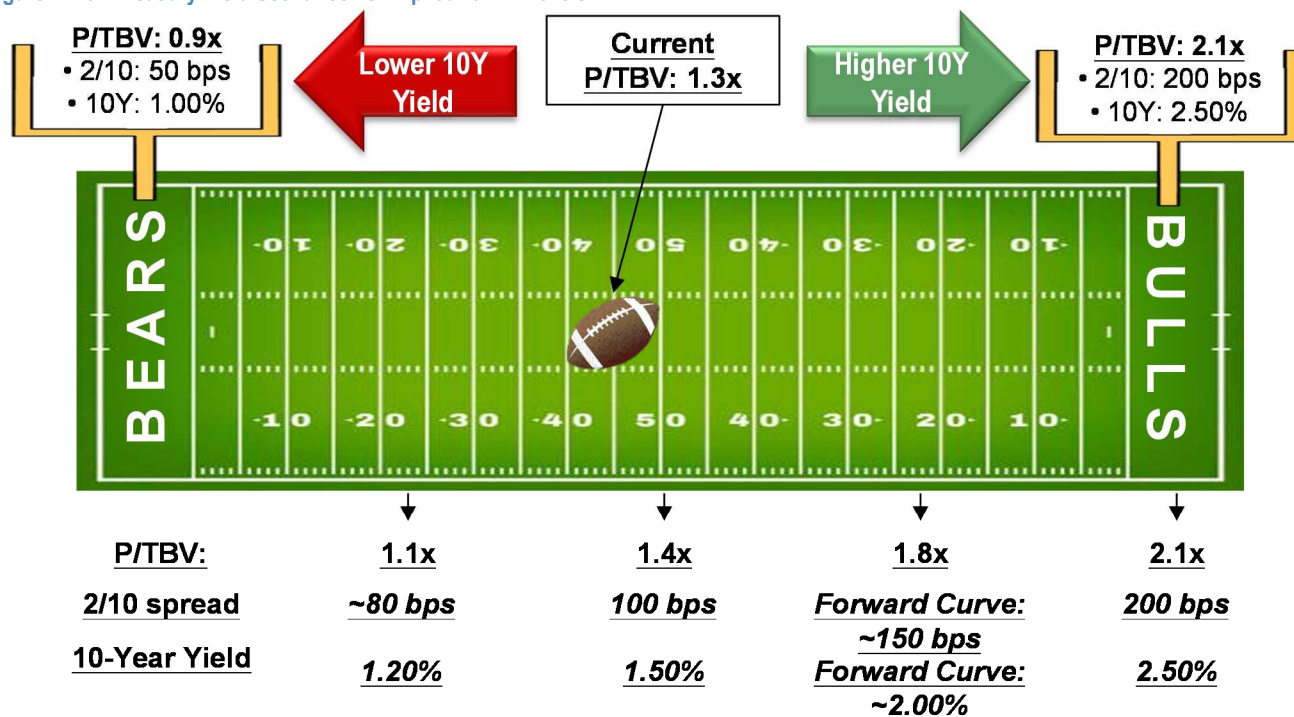
Figure 3: Average 2/10 Spread, Today vs. Prior Peak



Source: Bloomberg Finance L.P. Note: Data as of 3/29/21.

With that said, however, we believe that as momentum in the economy continues to build and the Fed makes progress on its mandate to achieve full employment that this will create a sustained tailwind lifting not only inflation (at least over the short-run) but interest rates as well (again, at least over the short-run). As a result, when we consider that stocks in our group are trading at only 1.3x TBV today, which is still below the pre-pandemic level (of 1.9x) in 2019, we see room for the ball to move to the 2x TBV range over the remainder of 2021. As a result, we continue to advocate that investors stay the course and maintain a bullish position to regional banks. Once the group reaches 2.0x TBV that will be the time in our view to then reassess the risk/reward potential for the sector.

Figure 4: 10Y Treasury Yield Scenarios vs. Implied P/TBV Levels

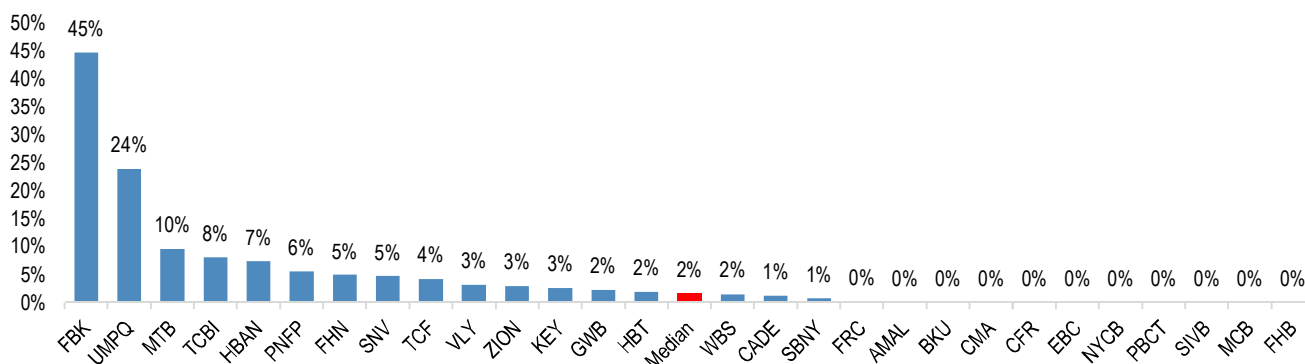


Source: J.P. Morgan estimates. (1) Forward Curve assumes 2.00% 10Y in 2021, 2.25% 10Y in 2022, and 2.50% 10Y in 2023. Data is as of 3/29/21.

The One Sub-Segment Where We Remain Very Cautious

Although we remain bullish on regional banks, the one sub-segment where we remain cautious are banks which generate an outsized fee revenue stream from mortgage banking. From our universe, this includes banks such as FB Financial, Umpqua, and Texas Capital (each rated at Underweight). As the 10-year declined in response to the pandemic, not only did refinance volumes surge but gain on sale margins exploded to the upside over the past year. In fact, in the most recent quarter both Umpqua and FB Financial reported gain on sale margins that each exceeded 4.5%. Combined with robust volumes being seen in the mortgage market, the fees generated from mortgage banking related activities surged over the past several quarters. What goes up, however, will likely eventually come down.

Figure 5: Mortgage Banking Revenue as Percentage of Total Revenue, 2020

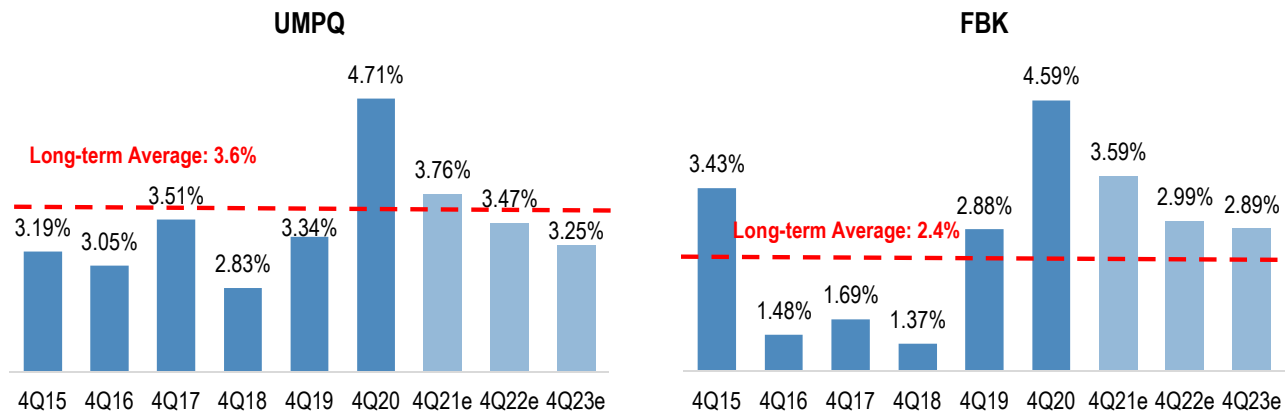


Source: Company reports.

In fact, with the 10-year yield, however, now rising not only are refinance volumes likely to slow materially from the recent pace but gain on sale margins are likely to also compress. To this point, however, we also think it's plausible that for a period of time gain on sale margins move from well above the long-term average to well below. As we've listened to how bank managements plan to address the eventual slowdown in mortgage volumes what has stood out to us is how just about every player in the industry plans to combat lower volumes by increasing market share. The irony here, however, is that all players seem to be reading from this same playbook. As a result, once volumes do start to slow it is not inconceivable that a price war breaks out as all players try to make up for slower market volumes by increasing share.

The challenge that this will present to banks with a hefty contribution of earnings from mortgage banking is that well above historical gain on sale margins could fairly quickly reset to well below historical levels.

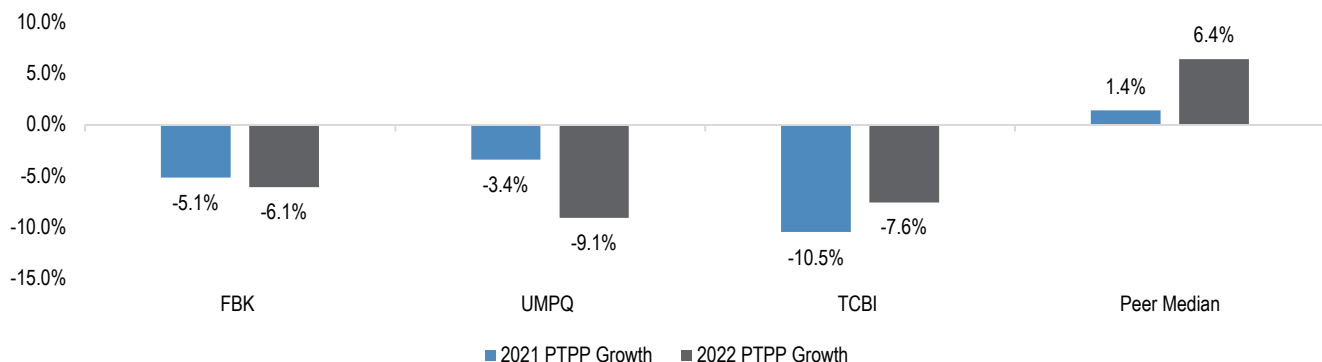
Figure 6: Gain on Sale Margin Trends and Forecasts at UMPQ and FBK, 4Q15-4Q23e



Source: Company reports and J.P. Morgan estimates.

With these banks likely to see not only volumes eventually decline but to also see gain on sale margins compress in the backdrop of peers seeing positive earnings revisions tied to rising rates, a small sub-segment of banks are likely to see PTPP income decline. In fact, we see PTPP income growth at Umpqua, FB Financial, and Texas Capital as likely to trend negative in 2021 as well as in 2022. As a result, this is the sub-segment of banks that we would continue to avoid.

Figure 7: 2021 and 2022 Pre-Tax Pre-Provision Income Growth for Mortgage Heavy Names, FBK vs. UMPQ vs. TCBI



Source: Company reports and J.P. Morgan estimates.

Stock Selection: Shades of Green

We See Many Regional Banks as a Long-Term “Hodl”

With our bullish call at this point being macro driven, our key message is for investors to have *enough* exposure to the sector. In fact, outside of us wanting to avoid banks with an outsized contribution of revenue from mortgage banking, we continue to encourage investors to *own a wide variety of regional banking names*. Illustrating this point, we currently have five banks on the JPM Analyst Focus List (FRC, SIVB, SBNY, PNFP and HBAN)—the largest and most diverse set of banks that we have ever had on the Focus List.

With that said, however, as we have spoken to many investors through the quarter, we get the sense that there is an eagerness to lock in profits and then quickly retreat back to an underweight position in regional banks. While we certainly think outsized returns are likely for the sector over the near-term, given the very strong competitive positioning of regional banks in the digital age of banking, however, we see many regional banks as having become a long-term HODL. For those less familiar with the term “HODL” this is the expression used by folks in the cryptocurrency community to convey that many cryptos are viewed as long-term holds rather than simply trading vessels. To this end, we offer up that rather than regional banks simply being trading vessels to reap outsized returns from rising rates, many of these are now long-term hodls.

We recently hosted our 7th tour of Silicon Valley, where we met with VC firms, PE firms, startups, large tech companies, small tech companies as well as many customers of First Republic and Silicon Valley Bank. As we met with disruptors in areas such as genomics, education, retail, and healthcare (to name a few), a notable takeaway was that each one unequivocally stated that the primary point of differentiation amongst banking partners was the *level of service and relationship* being offered, particularly through challenging times. In December 2020, we published a view that many of the regional banks were positioned to emerge as endgame winners in the digital age tied to the very effective combination of high tech along with high touch (link to report [here](#)). Our most recent tour provided additional support to our thesis that many regional banks are positioned to be endgame winners in the digital age of banking. As a result, for the investors that have had a constructive stance on the sector, rather than this being a sector that will quickly need to be retreated from once interest rates have reached more normal levels, investors may want to consider that beyond a mere interest rate play, that many banks offer the potential to generate years of outsized returns for shareholders.

Case in point, with First Republic and Silicon Valley Bank each also offering a vast network of connections (within the innovation economy) as well as delivering best-in-class service levels, we see each of these as the two best buys in banking today. In fact, with each bank having bankers with expertise in the sub-segments and markets in which their clients operate as well as an intangible, but highly coveted, asset (in the form of a vast network), we see each bank as poised to drive significant additional market share gains from banks of all sizes. Moreover, over the past 30+ years as each bank has weaved together a unique ecosystem, in our view the network effect has already created a very wide moat which will be very difficult for other banks to pass. Not to mention that there is a level of trust that companies and individuals in the innovation economy have with both First Republic and Silicon Valley Bank that will take years for competing banks to establish. In fact, when we

asked constituents on the tour which other banks were relevant to them today it kept coming back to only FRC and SIVB. Moreover, with each bank now also leveraging technology to further improve the client experience, it is likely going to get even more difficult for other banks to compete against either of these banks. As a result, FRC and SIVB continue to maintain the top two spots in our shades of green allocation.

Figure 8: Shades of Green Allocation – \$1,000 Ranked Group Allocation



Source: J.P. Morgan estimates. Note: These point allocations reflect our short-term views. For our long-term outlooks and ratings, please see the investment thesis section of our latest company research which can be found on <http://www.jpmm.com/>.

In addition to First Republic and Silicon Valley Bank, another “buy and hold” name in our coverage universe and #3 in our pecking order is Signature. Even though we’ve been bullish on Signature for quite a while now given the company’s successful expansion into new verticals including venture banking as well as the management team now building a new bank from the ground up in California, we recently added SBNY to the JPM Analyst Focus List in conjunction with us publishing a deep-dive into the company’s newest vertical of banking institutions looking to trade crypto assets (link to report [here](#)). While the digital asset banking team was formed in April 2018 and the Signet payments platform was introduced to clients in January 2019, growth related to the two was not material until the company introduced a new API in June 2020. With this API in place and the price of Bitcoin surging above \$40,000 in 4Q20 (after trading in the \$9,000 range in the first three quarters of 2020), Signature’s Digital Banking team was in prime position to add new customers to the platform and boost volumes. In fact in 4Q20, Signature grew deposits from these digital asset related clients to double the size of its next closest competitor in this industry, Silvergate Bank, which had \$5.0B in deposits from digital asset customers at YE20.

With Signature now positioned to be a top bank in this niche and many key relationships (including with the top 5 digital asset exchanges) in place, the bank has the potential to capitalize on its first mover advantage and gain share in the digital assets industry. In fact, as more and more institutional investors as well as corporates adopt crypto into portfolios, we see an incredible tailwind for this business. Moreover, with Silvergate having a market value of \$2.8B and Signature’s digital assets being twice the size of Silvergate, this could be yet another powerful growth lever creating shareholder value. While this opportunity will introduce much more volatility into the company’s earnings stream, we believe as this powerful additional growth lever is better understood by markets, this could render SBNY a strong outperformer versus peer regional banks. Not to mention that as we recently hosted a panel discussion with experts in New York real estate, we have even more conviction in our view that the vast majority of properties now on deferral at Signature will

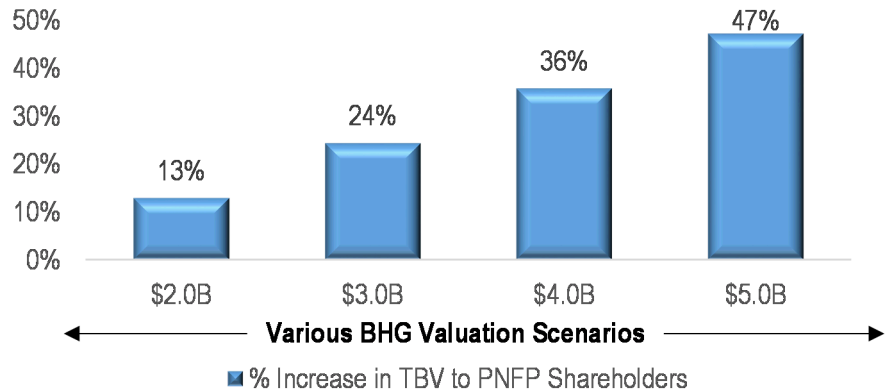
return to full principal and interest payments at the end of the deferrals. As a result, not only does Signature offer to investors the chance to benefit from near-term opportunity of an improved economy this is yet another buy and hold name that we believe offers years of outsized return potential.

In the number four spot on our allocation is a name that we also just recently added to the JPM Analyst Focus List: Pinnacle Financial. We are particularly excited about Pinnacle because, unlike FRC, SIVB, and SBNY, this company seems to be *well off the radar* screen from the vast majority of investors. In fact, most of the investors that we have spoken on the name with recently, inside of the US as well as outside, have not paid much attention to this hidden gem. We recently held meetings with CEO Terry Turner and CFO Harold Carpenter. Overall, post our meetings we are even more bullish on Pinnacle with the company very well-positioned among regional banks to continue driving solid top-line growth for many years to come. In fact, although many banks stepped up the pace of investment in 2020, Pinnacle took the pace of investment to a new level, with an annual record 90 revenue producers hired in 2020 alone, allowing the company to enter 2021 from a position of strength (with 2021 hiring expected to be an even stronger year).

With new veteran bankers (20+ years of average experience) being onboarded not only in Pinnacle's established Southeast markets but also in its newest (and now largest) market of Atlanta, this is a franchise that we see as strategically positioned to drive organic growth at a well above peer pace for years to come (link to our recent deep dive on the Atlanta opportunity [here](#)). In fact, with solid progress made in the past year on the Atlanta de novo expansion (26 RMs hired so far), Pinnacle is entering Atlanta with a differentiated service model that captures market share. To this end, however, contrasted to when Pinnacle launched in the year 2000 in Nashville, which had \$18B of total market deposits at that time, the company is now entering Atlanta which currently has \$190B of total deposits—or a starting point that is over 10x the initial entry into Nashville. With Pinnacle over the past twenty years growing its Nashville business to \$14B today on a de novo basis, we see the opportunity in Atlanta as the biggest opportunity for growth in the company's history, particularly given a service level at Pinnacle that is well ahead of the banks which hold dominant market share in Atlanta today.

As this company continues to compound revenue growth that leaves peers in its dust, we see years of strong outperformance ahead for PNFP. Although our favorable view on the stock is not contingent on the company's ability to further monetize its investment in BHG, with BHG proving the resiliency of its business model during the pandemic combined with the surge in valuations of private companies as well as proliferation of SPACs, *the potential for BHG to exit at some point could prove to be a significant value creation event for PNFP shareholders*, particularly with the stake in BHG currently only being carried at \$309 million today. The last time BHG was valued in an arms-length transaction was in 2019 when one of the partners sold his stake to the other two partners in a transaction at the time valued at \$1 billion. Given the surge in private company valuations since that point, it's not a stretch to assume that the current value of BHG is *well in excess* of this pre-pandemic valuation.

Figure 9: Potential TBV Benefit to PNFP Shareholders at Various BHG Valuations if BHG Exits



Source: J.P. Morgan estimates. Note: BHG was last valued at \$1B in April 2019.

Rounding out our “Fab 5” picks is Huntington, which we have learned since we upgraded the stock to Overweight in December 2020 is our most controversial call. In fact, many investors have expressed to us that they are “with us” on our favorable calls on FRC, SIVB, and SBNY but that they are not fully onboard with our bullish stance on Huntington. This might explain why HBAN shares trade so cheap! Unlike Pinnacle, which is largely off the radar of many investors, Huntington is on their radar but we find that many investors have a perception of the company which, let us say, might be more likely found in the history department rather than current events section of the library. To be fair, however, we’ve covered HBAN shares going back to 2001 and over this time have seen the strategy shuffle under a variety of CEOs. As a result, in a field crowded with regional banks we fully understand why investors haven’t taken the time to re-kick the tires on HBAN. To this end, however, we did kick the tires a few times in the fall and were very impressed with what CEO Stephen Steinour has transformed this company into over the past decade.

In fact, when we speak to investors on what fintechs are up to we find ourselves frequently pointing out that Huntington also offers many of the same consumer and business friendly practices. The only difference, however, is that while many fintechs are one trick ponies, operating in the ethos of the internet, Huntington is combining state of the art technology, customer friendly practices, experienced bankers, and deep ties into local communities. We see banks such as Huntington as having an edge over all competitors whether these are large banks, small banks, fintechs, or tech companies themselves. In fact, no need to take our word for it. Let’s go to the video tape!

The most recent client satisfaction data from J.D. Power, which incorporates all of the aforementioned items, places Huntington as the 6th highest in our coverage universe with an NPS of 48, which is not only well above regional bank peers (at 37) but even further ahead local rivals such as Comerica (33) in Michigan, KeyCorp (28) in Ohio, or even USB (36) as it looks to soon enter Minneapolis via the pending acquisition of TCF Financial. Moreover, with the company cutting the cord (at least for 2021) on delivering positive operating leverage in order to invest more in the first half of 2021 in order to position for a larger bounce in the second half of 2021 (tied to an economic recovery), Huntington may also be moving in the direction of a long-term holding poised to deliver outsized returns for many years.

With banks such as these offering a tremendous runway ahead for years of strong returns for shareholders, not only are they well suited to deliver healthy near-term returns but they are also positioned in our view as long-term buy and holds. In fact,

given the longer-term growth potential of these, as well as many others in our group including names such as BankUnited, Webster, First Horizon, and Metropolitan Commercial Bank, rather than investors facing anxiety over the precise moment to reduce exposure, with a portfolio of long-term winners this should provide the opportunity for more time on the beach and less time staring at the Bloomberg terminal.

Rising Rate Playbook

With Long-Term Rates Now Rising, We Provide Playbook For Navigating A Changing Yield Curve and Fed Response

In response to the COVID-19 pandemic that started one year ago in the US, the yield curve flattened like a pancake as the Fed lowered the fed funds target to the zero lower bound and began purchasing large amounts of Treasuries, which brought down longer term yields as well. During uncertain times, investors piled into safe haven Treasury assets and bond yields reached their lowest yield levels ever. However, as the US economy positions to rebound like a coiled spring with pent up demand and an effective vaccine rollout expediting a reopening of the economy, long-term yields have risen sharply in 2021 while short-term rates are pegged near zero by the Fed. This has resulted in steeper yield curve despite the 10-year yield still being low at 1.7% relative to historical levels. Bank stocks are a key beneficiary of a steeper yield curve and this is reflected in the group's stock outperformance in recent months. As we look ahead into the economic recovery, the yield curve may be influenced by steps taken by the Federal Reserve on the monetary policy front in terms of asset purchases and eventually interest rate hikes. Below is a playbook on how to position in bank stocks in this current rising rate environment. For now, as the 2/10 spread continues to grind higher in the backdrop of a potential mountain of additional fiscal stimulus combined with the chains on the economy being removed in 2021 (as herd immunity is achieved), we continue to recommend exposure to regional bank stocks.

In the early months of 2020, the federal funds target rate was in the 1.50-1.75% range until the COVID-19 pandemic was declared a US national emergency in which the Federal Reserve responded by lowering the target range to the zero lower bound (0-0.25%). Similar to its response to the 2008 Global Financial Crisis, the Fed lowered short-term rates to near zero in response to the COVID-19 pandemic to help stimulate economic growth during periods of economic stress. Lower fed funds translate into lower borrowing costs which can help encourage borrowing and investing. One year after the US entered a COVID-19 economic shutdown and as the economy re-opens with a continued rollout of vaccines, investors have pivoted to asking the question of when the Fed will raise the federal funds target rate. For reference, the last time the Fed lowered short-term rates to near zero was in 2008 and rates stayed at this level until the end of 2015. The recent March FOMC projected the federal funds rate was expected to remain near zero through 2023. When digging into the dot plot provided by the FOMC, four committee members (out of eighteen) projected a rate hike in 2022 and seven members projected a federal funds rate above the zero lower bound in 2023. From a market perspective, the federal funds futures implies a rate hike by 1Q23. For now, the prospects of the Fed to hike rates appear to be at least two years out.

Along with lower short-term rates, longer term Treasury yields declined sharply in response to the COVID-19 pandemic as investors bought safe-haven Treasury bonds instead of risk assets. The 10-year Treasury yield dropped to a record low of 50 bps on August 4, 2020, after wrapping 2019 at 1.92%. After hitting a trough in August 2020, yields climbed higher as positive news on the highly efficacious vaccines roll-out and large stimulus packages improved the outlook for an eventual recovery in the economy. Looking at the Treasury futures market, yields are expected to rise to 2% in a year from now, 2.25% two years from now and 2.50% three years from now. With the recent rise in the 10-year Treasury yield and short-term rates held near zero by the Fed until it reaches its employment and inflation goals, this has resulted in a steepening yield curve as the 10-year yield rises further.

In addition to lowering the federal funds target rate, another monetary policy response from the Fed included the increased purchase of Treasury securities and agency mortgage backed securities. Currently, the Fed's monthly purchase of securities total \$80B in Treasuries and \$40B in agency mortgage backed securities. The Fed's balance sheet size has increased by \$3.5T from \$4.2T in total assets at the end of February 2020 to \$7.7T as of March 24, 2021. The increase in asset purchases by the Fed results in lower yields on the Treasury curve to stimulate more borrowing by lowering borrowing costs. The Federal Reserve has committed to keeping monetary policy easy in order to better anchor inflation expectations. With policy likely on hold for a long time, tapering of the Fed's balance sheet purchases will be the next important development for monetary policy. In the March FOMC meeting press conference, Fed Chairman Powell stated that it was not yet time "to talk about talking about" tapering.

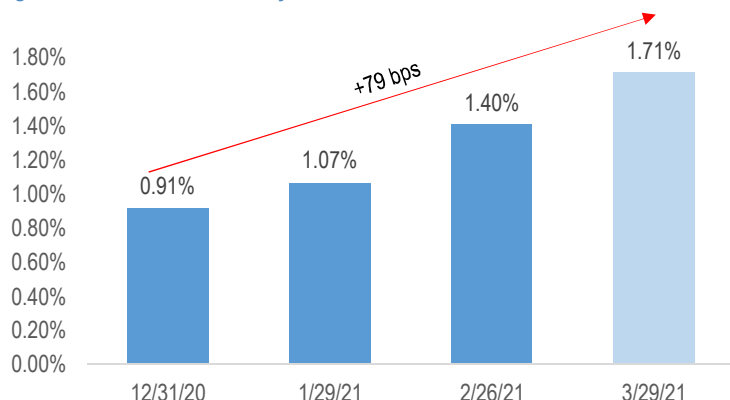
Fed Criteria for Raising Rates and Tapering Asset Purchases Depend on Employment and Inflation Goals

Looking at the criteria laid out by the Federal Reserve in order to adjust monetary policy, this includes: (1) maximum employment and (2) inflation anchored at 2% with it running moderately above 2% for some time to average 2% over time. For the near term, it is unlikely that the Fed will raise the fed funds target or taper asset purchases as the US economy is still far from reaching maximum employment with near 10 million jobs less than pre-pandemic and inflation readings are still below 2% with the latest core PCE of 1.4% Y/Y (February 2021). Fed Chairman Powell also recently stated that the Fed will monitor actual economic data rather than forecasts of data to determine shifts in monetary policy. On the drivers of the Fed's two criteria of maximum employment and inflation goals, the rollout of vaccines in the US and the reopening of the economy is backed by pent up demand from consumers. Per consensus estimates, GDP in 2021 is expected grow by a robust 5.7% Y/Y in 2021 and 4.0% in 2022 Y/Y which should translate to increased employment in the economy. Meanwhile on the inflation front, the 5-year breakeven rate surpassed 2.0% in January 2021 for the first time since 2018 and reached a recent high of 2.65% on March 16, 2021. While the prospects for the Fed raising the fed funds rate is still not expected until 2023, should both employment improve faster than expected and core inflation runs higher than expected, the timeline for higher short-term rates could expedite.

Steepening of 2/10 Spread Has Contributed to Bank Stocks' Outperformance YTD But Still Room to Run as 10Y Rises

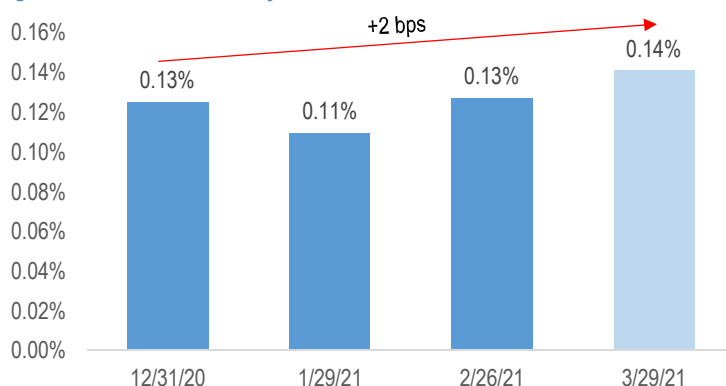
With local economies reopening, the continued vaccine rollout (with 140+ million doses administered so far in the US, or an average of 2.7 million doses per day), and the passage of the \$1.9 trillion American Rescue Plan stimulus package, long-term rates have risen given the higher degree of clarity on the economic outlook. In fact, the 10-year yield has risen by 79 bps YTD to 1.71% today, and is up 120 bps from the low point of 0.51% on August 4, 2020. Importantly, however, short-term rates have remained anchored near zero and have barely budged, as the 2-year yield has only increased by 2 bps so far YTD to 0.14%.

Figure 10: US 10-Year Treasury Yield



Source: Bloomberg Finance L.P. Note: Data as of 3/29/21.

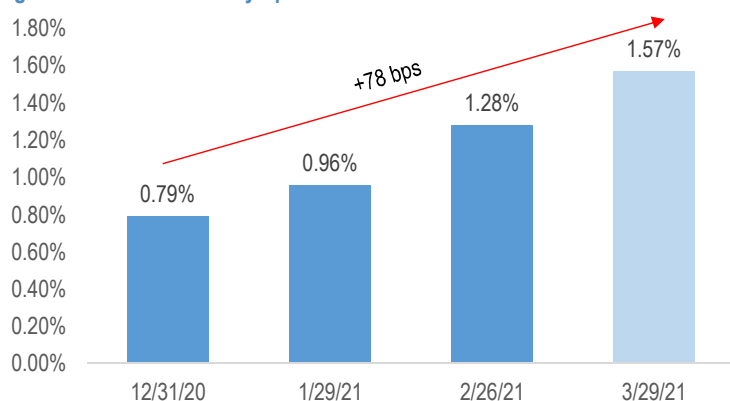
Figure 11: US 2-Year Treasury Yield



Source: Bloomberg Finance L.P. Note: Data as of 3/29/21.

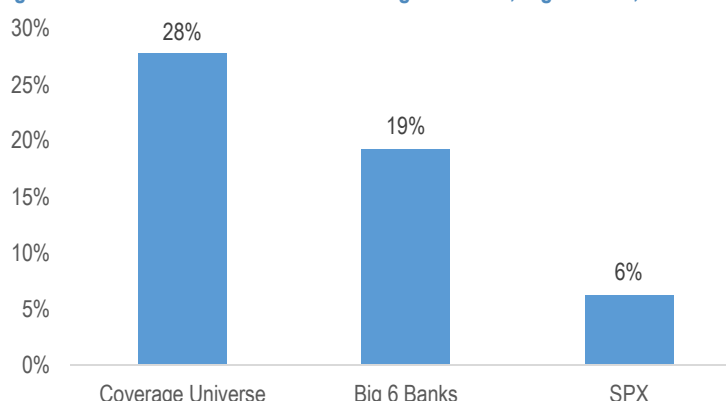
As we outlined in our 2021 Stockpickers Guide ([link](#)), given the Fed's new inflation targeting regime which will likely limit a potential rise in short-term rates over the near-term, the rise in the 10-year yield thus far YTD (of 79 bps) has resulted in the 2/10 spread rising essentially on a one-for-one basis (2/10 spread is up a similar 78 bps YTD). As a result, given the recent steepening of the yield curve, bank stocks have risen in tandem so far YTD (our coverage universe's median stock price is +28% vs. +6% for the SPX). Looking ahead, with short-term rates likely remaining anchored near zero as the Fed has made it crystal clear of its intent to see average inflation above 2% before even thinking about raising rates, it's likely that the yield curve steepens even further as long-term rates continue to rise. Consequently, in our view, there is still more room for bank stocks to run and we would continue recommending investors have exposure to the sector.

Figure 12: US 2/10 Treasury Spread



Source: Bloomberg Finance L.P. Note: Data as of 3/29/21.

Figure 13: YTD Performance of Our Coverage Universe, Big 6 Banks, and SPX



Source: Bloomberg Finance L.P. Big 6 banks consist of BAC, C, JPM, PNC, USB, and WFC. Note: Data as of 3/31/21.

Even With the Sharp Rise in the 10Y, It Will Take Time for Longer-Term Loans and Securities to Reprice Higher

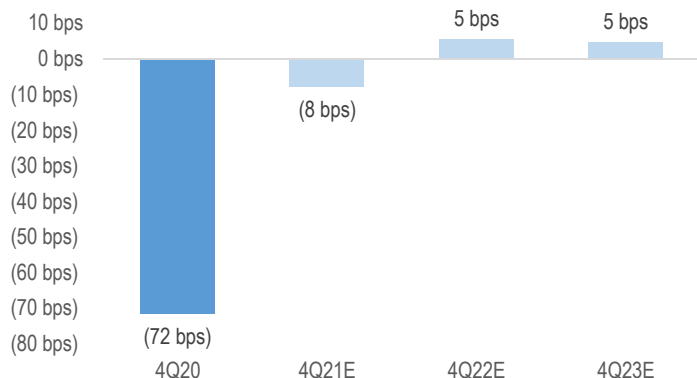
Although the 10-year Treasury yield has risen sharply YTD given the improved economic outlook and additional stimulus programs being passed, this is unlikely to translate into an immediate benefit for NIMs at regional banks. In fact, it will take time for the rise in the 10-year yield (among other longer-term yields) to flow through and benefit longer-duration loans and securities on banks' balance sheets. We note that loans originated by banks are generally categorized as loans that are

either variable rate (like C&I loans) or fixed rate (like CRE or residential real estate loans). Variable rate loans are typically tied to shorter term interest rates such as Libor while fixed rate loans are typically tied to a longer-term interest rate such as the 5-year Treasury yield. Putting numbers behind this, we estimate that only about 20% of a bank's fixed rate assets reprice every year, and as a result it will take several quarters (if not years) before banks start to see a material positive impact to their NIMs. With that said, however, shareholders should not fret. Even though it will take time for the fuller benefit of a steeper curve to flow through bank NIM and earnings, the market rewards shareholders today (via an increased present value for improved future cash flows).

While All Longer-Duration Loans and Securities Will Eventually Reset Higher, This Will Take Time to Play Out

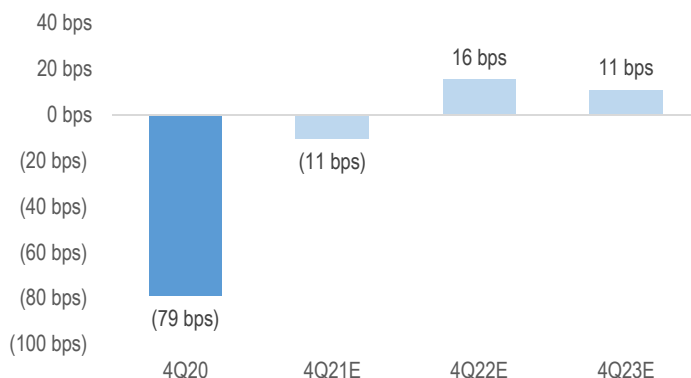
While there has been sizeable downwards repricing of banks' loan and securities yields over the past year, a few banks have pointed to a continued downward repricing of fixed-rate assets, including certain loans (such as real estate loans) and securities. For banks that continue to see some element of fixed-rate asset repricing, this is likely to be a continued near-term NIM headwind. With that said, however, we see competition especially from the banks flush with excess liquidity looking for earning assets as likely to keep a lid on expansion in loan and securities yields. Moreover, one constant theme that we have heard from banks this quarter is the tepid loan demand in the economy with expectations of a pickup in demand only expected in the second half of the year. As loan demand remains weak and deposits remain elevated, we expect competition to remain tight for originating loans, further limiting the potential increase for loan yields, before seeing a slight increase in 2022 and 2023, as shown below.

Figure 14: Y/Y Median Loan Yields Our Coverage Universe, 4Q20-4Q23E



Source: Company reports and J.P. Morgan estimates.

Figure 15: Y/Y Median Securities Yields Our Coverage Universe, 4Q20-4Q23E



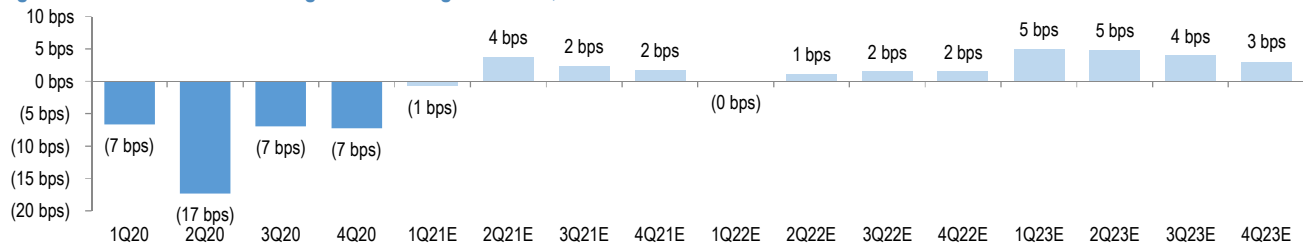
Source: Company reports and J.P. Morgan estimates.

Material Benefit to NIMs From Yield Curve Steepening Unlikely Before 2023

The level of liquidity in the system remains elevated after steadily building over the past few quarters. The level of liquidity has remained a drag on NIMs for our banks in recent quarters driven by low securities yields as well as tepid loan demand. While loan demand continues to remain minimal, Treasury yields as well as the yields on other fixed income securities have picked up sharply this year. To this end, a few of the companies that gave an intra-quarter update have pointed to deploying the excess liquidity in their securities portfolios to potentially benefit NIM as loan demand remains weak. In our view, although the immediate benefit to NIM from the rising 10-year Treasury yield is limited, the deployment of the elevated levels of liquidity in banks is likely to be a key wildcard affecting the near-term NIM outlook through at

least 2022. Beyond 2022, however, NIMs could show signs of expansion on a quarterly basis in 2023 with the rise in longer-term rates starting to work their way through banks' NIMs.

Figure 16: Q/Q Median NIM Change Our Coverage Universe, 1Q20-4Q23E



Source: Company reports and J.P. Morgan estimates.

Avoid Mortgage-Heavy Names as 10-Year Yield Grinds Higher

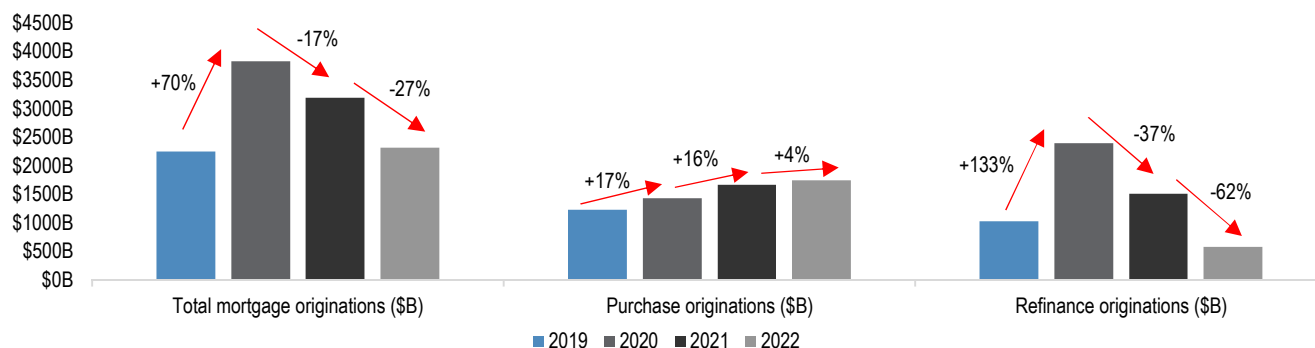
Mortgage Had a Strong Ride in 2020 Amid Ultra Low Rate Environment But Expected to Normalize in 2021 and 2022

Despite the pandemic, mortgage banking business at most banks thrived, owing to a combination of factors including: (1) low rates leading to strong volumes (tied to a surge in refinance activities as well as purchase activities remaining solid) and (2) elevated gain on sale margins during COVID-19 while (3) mortgage production expenses have increased only modestly in the work-from-home period. Looking into 2021 and 2022, however, we see that the prior tailwinds from strong mortgage banking will turn into headwinds as the mortgage banking environment normalizes with the rising 10-year Treasury yield potentially expediting the pace of normalization from a volume standpoint.

Volumes Surged in 2020 and Expected to Decline in 2021/2022 as Mortgage Environment Normalizes and Mortgage Rates Have Risen Sharply YTD

In 2020, mortgage banking income at our banks surged 123% on average owing to tailwinds from both volume and gain on sale booms during the COVID-19 pandemic. From a volume perspective, according to the Mortgage Bankers Association (MBA), mortgage volumes are expected to normalize through 2022, driven entirely by lower refinance volumes. Putting numbers behind this, mortgage originations industry-wide increased 70% y/y in 2020, with refinance volumes increasing 133% and purchase volumes increasing 17% from the 2019 levels. Looking into 2021, the MBA forecasts that total mortgage originations are expected to decline 17% y/y driven by refinance volumes falling 37% y/y as purchase volumes are expected to increase 16% y/y. The pace of normalization is expected to expedite in 2022, with total mortgage originations forecast to decline 27% y/y, with refinance volumes falling 62% y/y as purchase volumes are expected to increase 4% y/y.

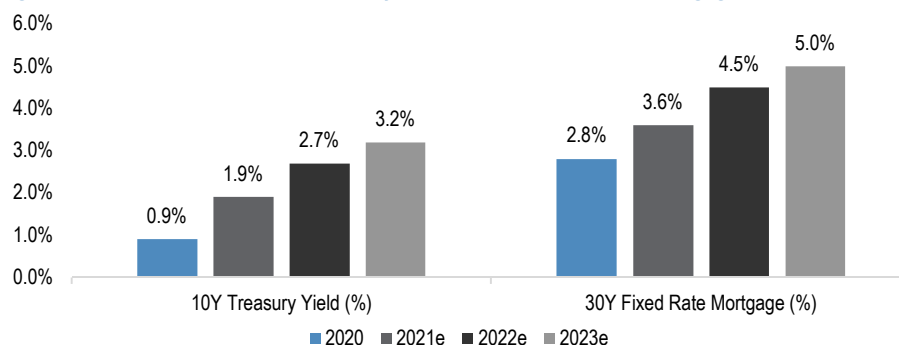
Figure 17: % Change in Industry-Wide 1-4 Family Mortgage Originations in 2020, 2021e and 2022e



Source: Mortgage Bankers Association. Note: Forecast is as of March 2021.

In 2021, longer term Treasury yields have risen sharply with the 10-year yield increasing 79 bps year-to-date to top 1.71%. Mortgage rates have also risen in tandem with a surge in longer term Treasury yields, with the 30-year fixed mortgage rates rising 35 bps year-to-date to reach 3.22%. Looking forward, the MBA forecasts continued increases in mortgage rates along with rising 10-year Treasury yields through 2023. Putting numbers around this, 30-year fixed rate mortgages are expected to rise each year from 2.8% in 2020 to reach 5.0% in 2023, as the 10-year Treasury yield is forecast to continue increasing for the next several years. The more mortgage rates keep grinding higher, the higher the likelihood that this will keep a lid on consumers' demand for refinance.

Figure 18: MBA Forecasts of 10Y Treasury Yields and 30Y Fixed Rate Mortgage, 2020-2023e



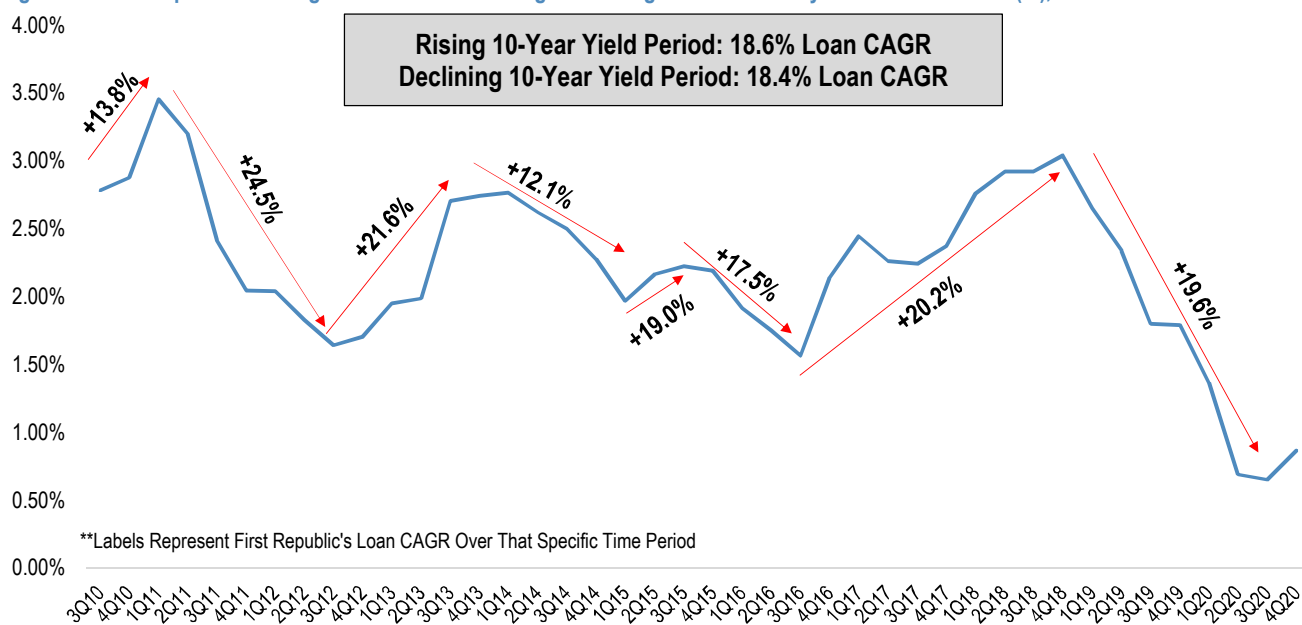
Source: Mortgage Bankers Association. Note: Forecast is as of March 2021.

We See First Republic as an Outlier That Is Positioned to Continue Growing at Mid-Teens Pace Even in a Rising Rate Environment

Given a sharp increase in longer term yields and mortgage rates year-to-date, one of the key concerns that has been raised from investors recently is the risk that in the backdrop of rising rates, it could become more of a challenge for the company to achieve "mid-teens" loan growth (which was guided to again in 2021). Despite a sharp rise in mortgage rates so far in 2021, however, we view that First Republic will be an outlier that is well positioned to continue growing loans at a mid-teens rate even with the 10-year yield rising. With that said, historically nearly 90% of loan growth at the company has been led by existing clients, with the majority of originations made during the pandemic also coming from existing clients. Today, First Republic's clients remain active in the real estate market, with many of these clients getting a second home and making referrals to their network. Not to mention,

we also point investors to our findings that comparing periods over the past decade when the 10-year yields were rising vs. falling, First Republic's loan growth during periods of rising and falling 10-year yields were identical at 18% annualized loan growth in each period. This data speaks to the value of the consistency of the First Republic model, which is a key hallmark of the bank's franchise.

Figure 19: First Republic's Average Loan Growth in Rising and Falling 10-Year Treasury Yields Environment (%), 2010-2020

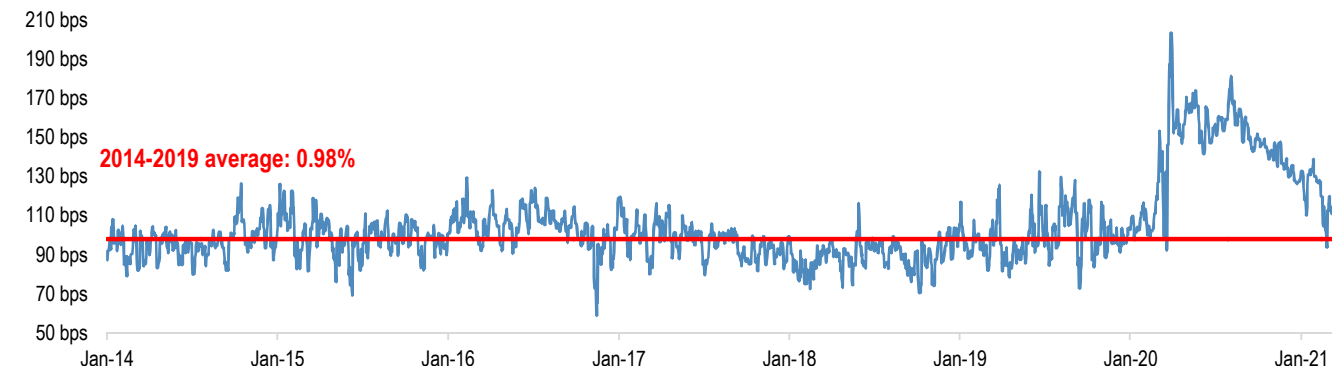


Source: Company reports.

Gain on Sale Margins Surged in 2020 and Have Begun to Normalize in 2021

Another key driver of strong mortgage performance in 2020 was elevated gain on sale margins which buoyed mortgage banking income. Many of our mortgage heavy names, including Umpqua and FB Financial, have reported a surge in gain on sale margins in 2020. A good proxy for gain on sale margin industry-wide is a primary/secondary spread. Specifically, we use the spread between Freddie Mac US primary mortgage market rate (i.e. primary) and the current MBS coupon (i.e. secondary). Looking at how the primary/secondary spread has trended since 2014, we note that the level was much more elevated in 2020 and still has been to-date vs. the historical average for the past few years. With that said, the average primary/secondary spread during 2020 was 1.43%, which is 46% higher than the 6-year historical average of 0.98% (from 2014 to 2019). In fact, we've already started to see the spread normalizing so far year-to-date when compared to the 2020 levels, as the spread has gradually declined from 1.33% at the end of 2020 to 1.13% as of March 29. Looking into the rest of 2021 and beyond, gain on sale margins are likely to compress further with many mortgage heavy names pointing to gain on sale margin normalizations.

Figure 20: Primary/Secondary Spread (%), 2014 To-Date

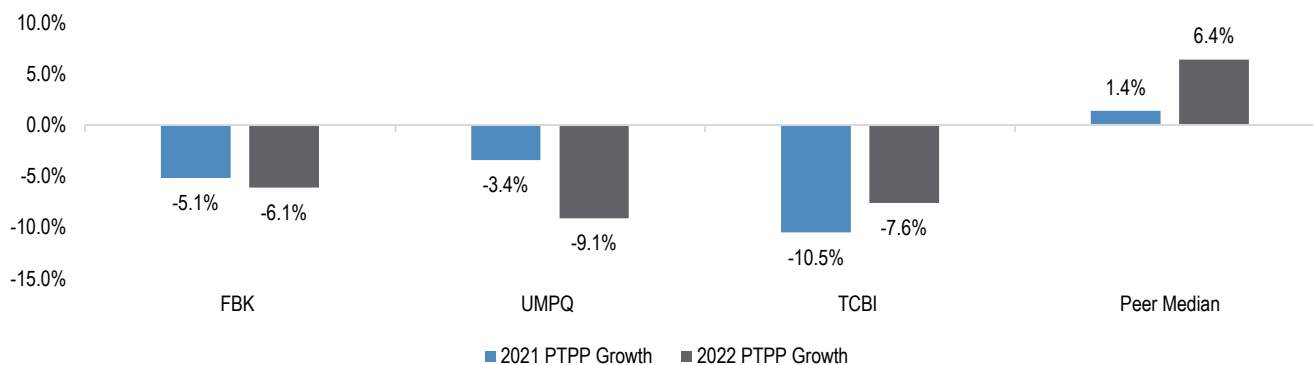


Source: Bloomberg Finance L.P. Note: Data as of 3/29/21.

Avoid FBK, UMPQ, and TCBI: Mortgage Heavy Names to See Sharp PTPP Growth Pressure in 2021 and 2022

While we remain bullish on regional bank stocks for 2021, the one cohort that we're recommending investors to avoid are mortgage-heavy names that derive a significant portion of their income from mortgage banking, particularly from gain on sale revenues. These names include FB Financial (FBK), Umpqua (UMPQ), and Texas Capital (TCBI), with mortgage banking revenues comprising 45%, 24%, and 8% of total revenues in 2020. With these names likely to experience outsized gain on sale pressure, we expect these banks to see PTPP income growth lagging peers materially in 2021 and 2022 as the mortgage banking environment normalizes. Putting numbers behind this, we forecast that each of these banks will likely see PTPP income *decline* each year and lag peers by a wide margin, with PTPP income declining in the 5-6% y/y range at FBK, 3-9% y/y range at UMPQ, and 7-11% y/y range at TCBI in 2021 and 2022 when compared to our coverage universe expected to see 1-6% y/y growth.

Figure 21: 2021 and 2022 Pre-Tax Pre-Provision Income Growth for Mortgage Heavy Names, FBK vs. UMPQ vs. TCBI vs. Peer Median



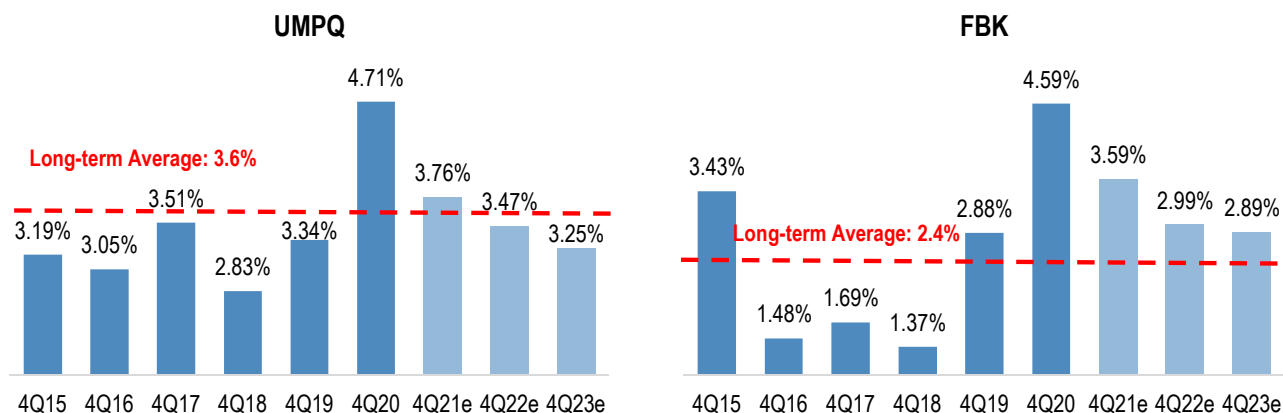
Source: Company reports and J.P. Morgan estimates.

With capital likely flowing into the handful of banks that have enough levers to pull to drive a solid level of PTPP income growth, we view it as likely that FBK, UMPQ, and TCBI shares (with each rated at Underweight) get left at the starting line. In addition, as long-term rates continue to potentially rise, while this could draw significant capital into regional banks given the likely benefit to NIMs, in the cases of FBK, UMPQ, and TCBI, rising long-term rates could accelerate the timing for gain on sale revenue to decline to a more normalized level, which would place further downward pressure on PTPP income.

Gain on Sale Margins at UMPQ, FBK, and TCBI Shoot Up and Peaked in 2020, with Downward Trajectory Expected for the Rest of 2021 and Beyond

Looking at gain on sale margin trends at Umpqua and FB Financial (not available for Texas Capital), we note that gain on sale margins surged in 2020. At Umpqua, gain on sale margin peaked at 5.13% in 3Q20, and while it declined in 4Q20 to 4.71%, this is still 32% higher than the company's long-term average of ~3.6%, with the company also pointing to gain on sale margin normalization over time to the mid-3% range. Similarly, FB Financial also saw its gain on sale margin peak in 2020 at 4.59% in 4Q20 (which is nearly double the long-term average of ~2.4%), with margins expected to normalize through 2023. Although Texas Capital does not explicitly disclose gain on sale margin data, the trend is similar with gain on sale revenue peaking in 2020, which should normalize for the rest of 2021 and beyond as gain on sale margins come back to earth. With that said, many of gain on sale players indicate that they will stay competitive and focus on increasing market share to grow their revenue, which suggests that there may be a pricing war down the road that can lead to further downward pressure on gain on sale margins, which can potentially end up being lower vs. the long-term historical average.

Figure 22: Gain on Sale Margin Trends and Forecasts at UMPQ and FBK, 4Q15-4Q23e



Source: Company reports and J.P. Morgan estimates.

Mortgage Banking Morphed into a Low Efficiency Ratio Business at UMPQ and FBK in Pandemic, But This Tailwind Poised to Turn into Headwind with Outsized Contribution to PTPP from Mortgage Banking Poised to Normalize

At Umpqua and FB Financial, its home lending business was historically a very high efficiency ratio business, with the 70-80% range common prior to 2020. With volumes and gain on sale margins booming during COVID-19 while expenses increased only modestly in the work from home period, this formerly relatively inefficient business has morphed into a highly efficient business. In fact, the efficiency ratio for UMPQ's mortgage banking business declined to below 50% in 2020 and to near 50% for FBK. While this would typically be a positive development, with mortgage volumes as well as record gain on sale margins likely to normalize through 2021 and 2022, with the business eventually reaching the other side of the mountain (which appears to have already begun in 4Q20) it will reach a period where the reduction in revenue coming from the mortgage business is well in excess of the potential reduction in expenses from the business. As a result, we expect that a significant headwind is eventually going to make its way to Umpqua and FB Financial's P&L, with the outsized contribution to PTPP income from mortgage banking experienced in 2020 being poised to fade away.

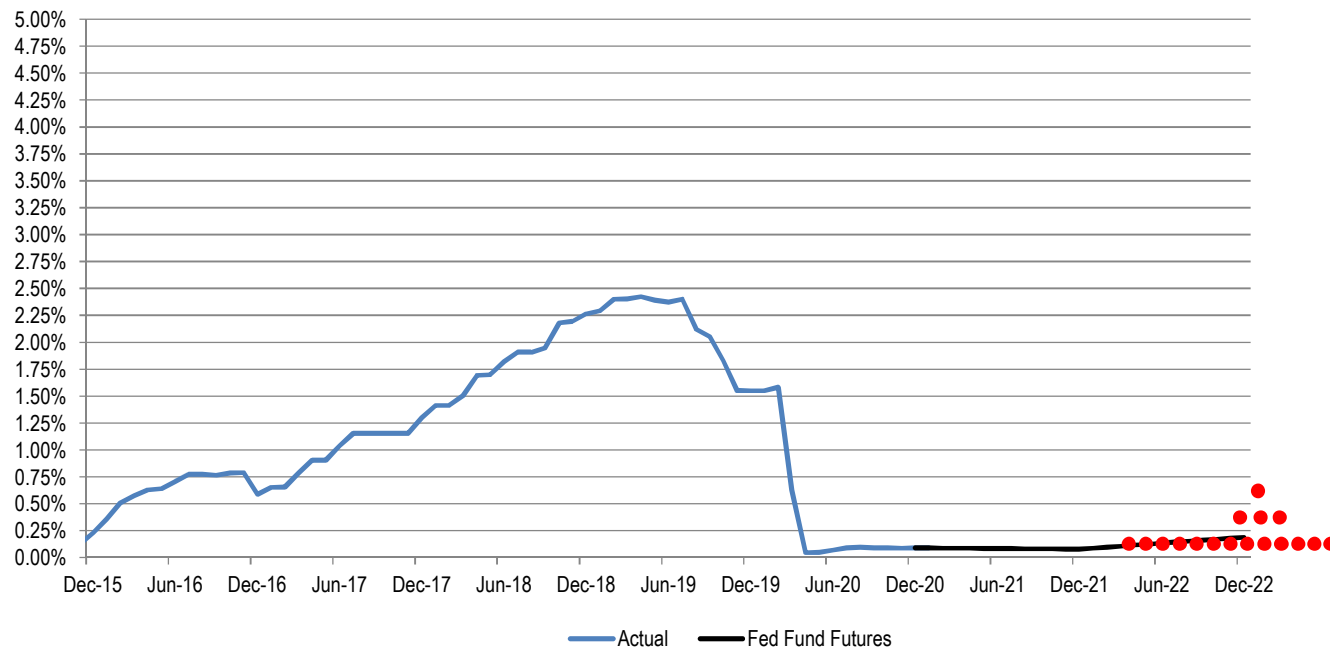
Outsized PTPP Income Contribution from Gain on Sale Revenue in 2020 Should Normalize, Putting Downward Pressure on PTPP Growth at TCBI

At Texas Capital, mortgage headwind is likely to come from its Mortgage Correspondent Aggregation (MCA) business, which has provided the company with an outsized level of gain on sale revenue in recent quarters. In short, Texas Capital's MCA business purchases residential mortgage loans from a variety of correspondent lenders (a correspondent lender is a mortgage lender that originates, underwrites, and funds mortgages through a warehouse line of credit) and delivers those loans to the secondary market through loan sales to either independent third parties or in securitization transactions to agencies including Ginnie Mae, Fannie Mae, and Freddie Mac. Putting numbers behind how material the MCA business has been recently to the overall company, Texas Capital reported \$71mm of total gain on sale revenue in 2Q20-4Q20, after losing a total of \$49mm in the nine preceding quarters from 1Q18-1Q20 (with this business historically running at negative gain on sale margins). In fact, gain on sale revenue and brokered loan fees (fees earned for the administration and funding of purchased mortgage loan interests) represented 24% of PTPP income in full year 2020 (vs. an immaterial amount historically). As we look ahead, while mortgage volumes and gain on sale margins have each been very strong during the pandemic, which has resulted in an outsized contribution to PTPP income, with volumes as well as record gain on sale margins likely to normalize in 2021 and 2022, this business will reach a period, likely beginning in 2021, where the reduction in revenue begins to act as a significant headwind to the overall company's PTPP income contribution.

Intermediate-Term: Positioning for a Possible Shift in Fed's Stance on Short-Term Rates

The Federal Reserve has committed to keeping rates at the effective lower bound until at least 2023. With that said, however, at the most recent FOMC meeting in March 2021, four FOMC members expect a rate hike in 2022 which compares to just one FOMC member expecting a rate hike in 2022 at the December 2020 meeting. In fact, one FOMC member expects more than one rate hike in 2022. The increase in growth and inflation expectations largely driven by the \$1.9T in additional fiscal stimulus has bought forward the expectations of a rate hike.

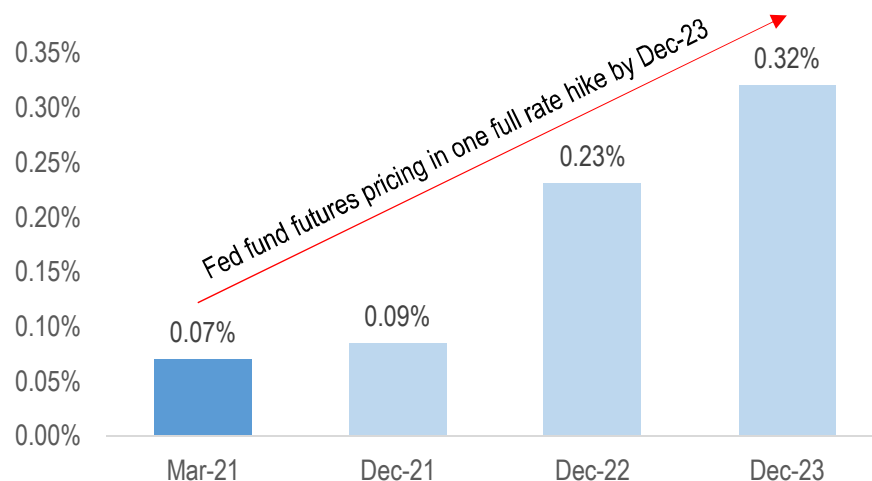
Figure 23: Federal Funds Rate Futures & Federal Reserve's Target Fed Funds Rate Forecast per Dot Plot, December 2015 – December 2022



Source: Bloomberg Finance L.P., Federal Reserve, and J.P. Morgan. Fed dot plot as of 3/17/2021.

To understand market expectations of rising rates in greater detail, we look at the Fed fund futures. While the Federal Reserve has indicated near zero rates until 2023, fed fund futures indicates no change in short-term rates until December 2021 and under one full rate hike by December 2022. However, fed fund futures indicate one full rate hike by the end of 2023. Putting numbers behind this, the current effective fed funds rate is 0.07% while fed fund futures for December 2023 is at 0.32%, indicating one full rate hike by the end of 2023. Looking at the fed fund futures, it is clear to us that market expectations of a rate hike in 2022 are roughly 50-50 with a full rate hike expected by 2023.

Figure 24: Effective Federal Funds Rate vs. Futures Implied Federal Funds Rate, 2021-2023



Source: Bloomberg Finance L.P. Note: Data as of 3/29/21.

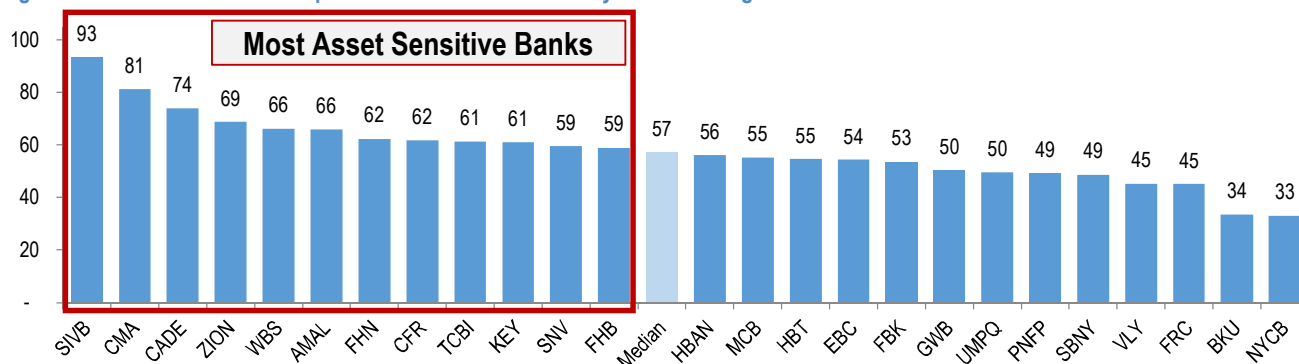
The Best Time to Own Regional Banks Is One Year Before the Fed Changes Its Tune on Short-Term Rates

With the Federal Reserve having short-term rates anchored near the effective lower bound until at least 2023, banks that rank high on the asset sensitivity scale have fallen out of favor over the past year. However, as inflation increases over the near- and the intermediate-term, the Federal Reserve may change its stance on short-term rates. Although this is unlikely to happen in 2021, the likelihood of a change in the Fed's tune on short-term rates increases as we look into 2022. To this end, we find that the best time to own regional bank stocks is nearly one year before the Federal Reserve changes its tune on short-term rates. This is largely driven by the fact that the change in the Fed's tone on short-term rates would lead to an increase in interest rates especially at the shorter-end of the yield curve. While the shape of the yield curve matters for bank stocks, the level of interest rates also matters for bank stocks and any increase in the absolute level of short-term rates is a positive for banks especially for the asset sensitive banks. Asset sensitive banks have a large portion of their loans tied to shorter end of the yield curve (Libor and Prime rates) and would benefit from a pickup in short-term rates driven by a pickup in loan yields while deposit costs remain unchanged. This in turn would be a tailwind for NIMs for banks with asset sensitive banks likely to realize this tailwind much faster than other peers. With that said, in our view, when the Fed changes stance on short-term rates, we would prefer to own asset sensitive names such as Silicon Valley Bank which would largely benefit from a rise in short-term rates as a result.

Asset Sensitive Banks with Strong Deposit Franchises Likely to Benefit When Fed Changes Its Stance

While asset sensitive banks and banks with a high concentration of floating rate loans should generally benefit when the Fed moves to a more hawkish tone, asset sensitive banks with strong deposit franchises should benefit the most. To this end, we look at the asset sensitivity scale for banks in our coverage and note that Silicon Valley Bank is likely to benefit the most from a shift in the Fed's stance. Additionally, banks like Comerica, Cadence, Zions, and Webster Financial should also benefit largely driven by their asset sensitivity.

Figure 25: U.S. Mid- and Small-Cap Banks Static Asset Sensitivity Scale/Ranking



Source: SNL Financial and J.P. Morgan.

Rotation Out of Liability Sensitive Names Likely When the Fed's Stance Changes

While asset sensitive names like Silicon Valley Bank, Comerica, Cadence, Zions, and Webster are likely to benefit from a change in the Fed's tune on short-term rates, on the other end of the spectrum, liability-sensitive banks like New York Community

Bank would most likely see a rotation out of liability-sensitive names. In fact, New York Community Bank is one of the most liability sensitive names in our coverage universe and we would note that it is probably the bank most at-risk to a rotation out of liability sensitive names. While Signature Bank is another liability sensitive name in our coverage, we see the bank as having enough levers to punch through this temporary headwind.

The Road Ahead

While All Banks Would Benefit from a Steepening Yield Curve, We Would Continue to Avoid Mortgage Heavy Names

All banks have assets on their balance sheets (loans and securities) that have higher duration than their liabilities (deposits and wholesale fundings). As a result, a continued steepening of the yield curve (driven by a rise in long-term yields) would benefit all banks. More specifically, looking at our forward estimates, which includes the 10-year yield rising to 2.00%, 2.25%, and 2.50% by the end of 2021, 2022, and 2023, respectively, we estimate that First Republic and Silicon Valley Bank will each be able to drive y/y growth in 2023 PTPP income of 21%+, which is more than double the peer median of 10%. Each of these banks' above-peer PTPP income growth is driven by not only the rate side of net interest income but also the volume side and the tremendous organic growth opportunities available to each company. Beyond this, in a higher long-term rate environment, First Republic would benefit from repricing its longer duration loans at higher rates while Silicon Valley Bank would benefit from repricing its securities portfolio (50% of assets) at higher rates.

On the opposite side of the spectrum, while our mortgage names including Umpqua, FB Financial, and Texas Capital would also see a benefit to net interest income from a steepening yield curve, each of these banks also faces a significant headwind from lower gain on sale revenue as long-term rates rise. With this gain on sale headwind likely outweighing the net interest income benefit in the coming years, we expect each of these banks to report well-below peer PTPP income growth in both 2021 and 2022, with y/y PTPP income growth likely trending in the -6-9% range in 2022, which is well below the peer median of +6%. As a result, while we continue to have a bullish outlook for regional banks as long-term rates rise and the yield curve continues to steepen, we would continue to recommend investors avoid banks with outsized gain on sale revenue as volumes normalize in the coming quarters off record levels in 2020.

Adj. EPS Estimate Changes

\$						FY21E				FY22E			
Company	BBG Ticker	Period	Prev	Cur	Δ	Prev	Cur	Δ	Cons	Prev	Cur	Δ	Cons
Amalgamated Financial Corp	AMAL US	1Q21E	0.35	0.34	(0.01)	1.65	1.61	(0.04)	1.48	1.84	1.91	0.07	1.79
BankUnited	BKU US	1Q21E	0.63	0.65	0.02	3.00	3.19	0.19	3.08	3.42	3.75	0.33	3.40
Cadence Bancorporation	CADE US	1Q21E	0.49	0.49	0.00	1.91	1.94	0.03	1.83	1.98	1.92	(0.06)	1.68
Comerica Incorporated	CMA US	1Q21E	1.13	1.20	0.07	4.71	5.03	0.31	5.18	4.60	5.41	0.80	4.94
Cullen/Frost Bankers Inc.	CFR US	1Q21E	1.20	1.19	(0.00)	5.09	5.27	0.18	5.23	5.15	5.72	0.57	4.82
Eastern Bankshares	EBC US	1Q21E	0.16	0.17	0.01	0.65	0.73	0.08	0.70	0.64	0.78	0.14	0.77
FB Financial	FBK US	1Q21E	0.90	0.91	0.01	3.01	3.13	0.12	3.14	2.52	2.97	0.44	2.76
First Hawaiian	FHB US	1Q21E	0.43	0.43	0.01	1.68	1.74	0.07	1.67	1.71	1.87	0.16	1.68
First Horizon Corp	FHN US	1Q21E	0.33	0.34	0.01	1.39	1.43	0.04	1.50	1.45	1.53	0.08	1.52
First Republic	FRC US	1Q21E	1.50	1.47	(0.03)	6.32	6.21	(0.11)	6.48	7.13	7.41	0.28	7.22
Great Western Bancorp. Inc.	GWB US	2Q21E	0.61	0.62	0.01	2.67	2.72	0.05	2.48	2.68	2.85	0.18	2.44
HBT Financial, Inc.	HBT US	1Q21E	0.38	0.39	0.01	1.54	1.62	0.08	1.49	1.55	1.82	0.26	1.45
Huntington Bancshares	HBAN US	1Q21E	0.32	0.33	0.02	1.32	1.36	0.03	1.27	1.40	1.48	0.08	1.37
KeyCorp	KEY US	1Q21E	0.48	0.47	(0.00)	1.94	2.02	0.09	1.82	1.90	2.16	0.26	1.83
Metropolitan Bank Holding Corp.	MCB US	1Q21E	1.26	1.26	0.00	5.81	5.76	(0.05)	5.34	6.78	6.77	(0.00)	6.43
New York Community Bank	NYCB US	1Q21E	0.26	0.26	0.00	1.14	1.17	0.04	1.13	1.26	1.35	0.09	1.24
Pinnacle Financial Partners	PNFP US	1Q21E	1.33	1.34	0.02	5.61	5.77	0.16	5.26	5.91	6.12	0.21	5.37
Signature Bank	SBNY US	1Q21E	2.76	2.78	0.01	11.79	12.43	0.64	12.04	13.52	15.31	1.79	13.89
SVB Financial Group	SIVB US	1Q21E	4.76	7.89	3.14	20.13	23.00	2.87	22.75	23.72	25.00	1.28	23.11
Synovus Financial Corp.	SNV US	1Q21E	0.84	0.88	0.04	3.43	3.54	0.11	3.64	3.73	4.00	0.28	3.84
Texas Capital Bancshares, Inc.	TCBI US	1Q21E	1.33	1.33	0.00	5.17	4.83	(0.35)	4.33	4.54	4.22	(0.32)	4.56
Umpqua Holdings Corporation	UMPQ US	1Q21E	0.49	0.51	0.02	1.66	1.74	0.07	1.64	1.42	1.54	0.12	1.60
Valley National Bancorp	VLN US	1Q21E	0.27	0.28	0.00	1.13	1.17	0.04	1.09	1.17	1.27	0.09	1.13
Webster Financial Corporation	WBS US	1Q21E	0.78	0.79	0.01	3.69	3.80	0.11	3.72	4.26	4.58	0.32	4.14
Zions Bancorp NA	ZION US	1Q21E	0.94	0.96	0.02	3.92	4.07	0.15	4.25	4.03	4.45	0.41	4.11

Source: Bloomberg Finance L.P., J.P. Morgan estimates.

Portfolio Manager 1Q21 Macro Summary

PTPP Income Expected to Decline on Lower Revenue, While Balance Sheet Growth Expected to Be Minimal

Overview of Key Q/Q Trends

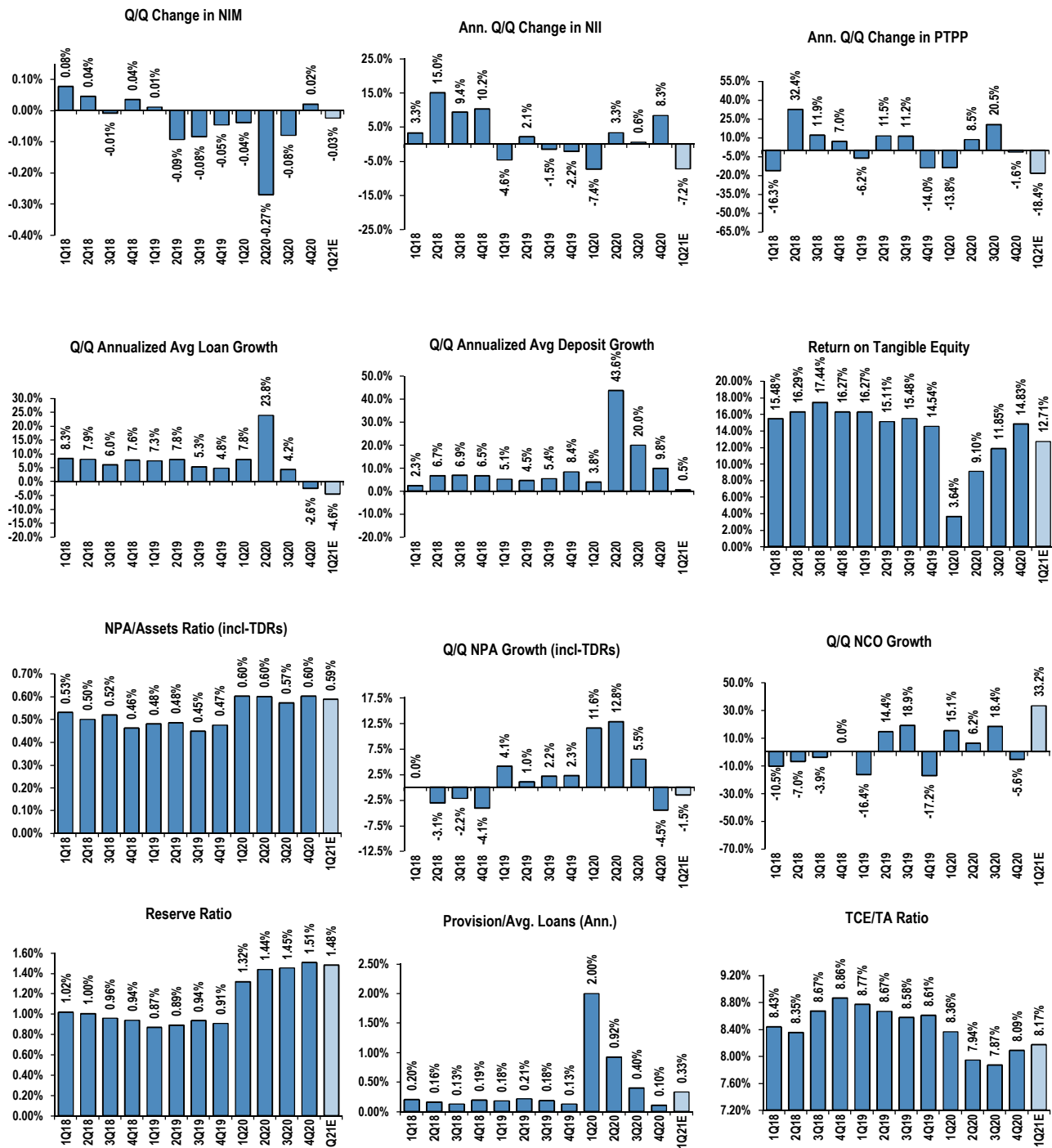
Avg Loans	↓	5% ann.
Avg Deposits	↑	1% ann.
NIM	↓	3 bps
NII	↓	7% ann.
Core PTPP	↓	18% ann.
NPA's	↓	2% q/q
NCO Ratio	↑	21 bps q/q
Prov/Avg Loans	↑	22 bps q/q

Source: J.P. Morgan estimates.

For the first quarter of 2021, we expect PTPP income to decrease 18.4% annualized primarily due to (1) net interest income declining by 7.0% annualized driven by a 3 bps decrease in NIM and (2) fee income to decline 16.6% annualized. Driving this decline in PTPP income is average loans expected to decline at a 4.6% annualized pace while average deposits are only expected to grow at a 0.5% annualized pace. Compared to recent H.8 data, our loan forecast is for a decline in loans vs. an increase for small banks (+1.1% annualized) but less than the decline for large banks (-8.8% annualized). Our deposit forecast is below industry data for both small banks and large banks, at 18.9% and 8.8% annualized, respectively. We would note that the growth in deposits across the industry is driven by non-CD products, as CDs growth has been down q/q at small banks and at large banks. Meanwhile on credit, we expect NCO to rise slightly while NPAs decline slightly on a sequential basis in 1Q21. We expect the median reserve ratio to decrease by 1 bp q/q to 1.48% in 1Q21.

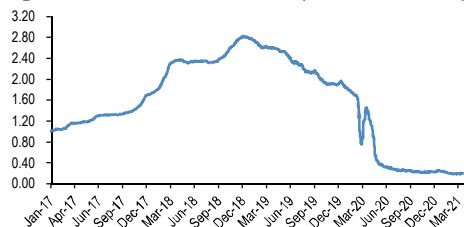
- **Expect NIM to compress slightly as earning asset yields decline, but some offset from lower deposit costs.** We expect NIMs to decline by 3 bps q/q in 1Q21 on average. With interest rates remaining low, we expect loan yields to compress by 3 bps q/q and securities yields to decline by 1 bp q/q. However, we also expect interest bearing deposit costs to decrease by 3 bps q/q. Looking forward, we expect earning asset yields to continue on a downward trend and bottom out in mid-2021 as loans and securities yields continue to reprice lower.
- **PTPP income to decline q/q driven by lower revenue.** We expect PTPP to decline at an 18.4% annualized pace as net interest income should decline by 7.0% annualized and fee income should decline by 16.6% annualized (with mortgage banking revenue expected to decline sequentially). Partially offsetting these trends, we expect expenses to remain flattish q/q. The sequential decline in net interest income is driven by a 3 bps decline in NIM while we expect average earning assets to rise at a 3.7% annualized pace. On this note, the MBA estimates 1Q21 total origination volumes to decline 5.8% q/q, which includes a 20.2% q/q decrease in purchase activity and a 2.2% q/q increase in purchase activity.
- **Loans expected to decline in 1Q21 while deposits should remain flat.** We expect average loans to decline 4.6% annualized (primarily driven by a portion of PPP loans coming off our banks' balance sheets) and average deposits to increase just 0.5% annualized. This compares to average loans declining by 2.6% annualized and average deposits growing by 9.8% annualized in 4Q20. According to H.8 data, small bank loans have risen 1.1% annualized and large bank loans have declined 8.8% annualized. A QTD rise in small bank loans is driven by C&I loans (13.3% annualized). The decline in large bank loans is driven by C&I loans (-3.6% annualized) and 1-4 family loans (-11.5% annualized). On deposits, the latest H.8 data points to an increase in deposit balances at both small banks and large banks, at 18.9% and 8.8% annualized, respectively, in 1Q21.
- **NCOs expected to increase slightly while NPAs and reserve ratio should decline.** We expect NCO ratios to increase by 21 bps q/q to a median of 0.44% and NPAs (incl. TDRs) to decline (-1.5% q/q) to a still low NPA ratio of 0.59%. We model the reserve ratio to decrease modestly to 1.48% (vs. 1.51% in 4Q20), tied to many banks releasing reserves as the economic outlook has improved from the prior quarter.

Mid- and Small-Cap Bank Trends at a Glance



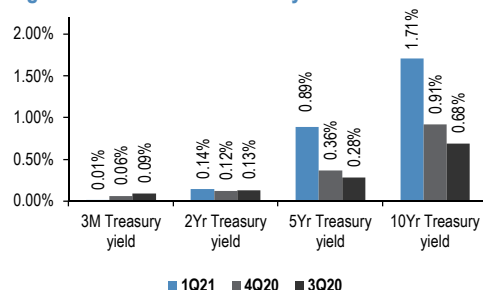
Source: Company reports, SNL Financial, and J.P. Morgan estimates. Note: Median trends adjusted to exclude impact of acquisitions. NPA ratio includes accruing TDRs.

Figure 26: 3-Month Libor Trend (Jan-17 to Mar-21)



Source: Bloomberg Finance L.P. Note: Data as of 3/29/21.

Figure 27: Period-End Treasury Yields Trend



Source: Bloomberg Finance L.P. Note: Data as of 3/29/21.

NIM Expected to Decline with Both Loan Yields and IBD Costs to Continue to Fall Slightly in Low Rate Environment

- NIM forecasted to decline 3 bps q/q.** We anticipate a 3 bps q/q decline in NIM for 1Q21 following a 2 bps q/q increase in NIM in 4Q20. While long-term interest rates increased in 1Q21, we expect loan yields to decline in 1Q21 as loan portfolios continue to reset lower overall levels of interest rates. Putting numbers behind this, we expect loan yields to decline 3 bps q/q as the 1-month average Libor rate declined by 3 bps and the 3-month average Libor rate declined by 2 bps. Turning to Treasury yields, the 2-year Treasury yield declined by 2 bps in the quarter on an average basis while the 10-year Treasury yield increased by 45 bps in the quarter on an average basis. Consequently, the 2/10 spread steepened by 46 bps on an average basis.
- Interest bearing deposit costs expected to decline further 1Q21.** We expect a continued decline in deposit costs driven by time deposits continuing to reprice to lower market interest rates. Putting numbers behind this, we expect interest bearing deposit costs to decline 3 bps q/q in 1Q21.
- Net interest income expected to decline Q/Q.** We forecast NIMs to decline 3 bps q/q and average earning assets to rise 3.7% annualized, leading to a decrease in net interest income of 7.0% annualized. On a year-over-year basis, we expect net interest income to increase 1.2% with average earning assets expected to rise 14.9% y/y and NIM expected to decline 38 bps y/y.

Table 2: Quick Snapshot of Trends in Average Key Rates

Average Yields	1Q21	4Q20	Q/Q Change
3 Month LIBOR	20 bps	22 bps	(2 bps)
1 Month LIBOR	12 bps	15 bps	(3 bps)
30 yr Fixed	3.01%	2.97%	4 bps
15 yr Fixed	2.41%	2.49%	(8 bps)
5/1 ARM	2.99%	3.05%	(6 bps)
2Yr Treasury Yield	0.13%	0.15%	(2 bps)
5Yr Treasury Yield	0.60%	0.37%	23 bps
10Yr Treasury Yield	1.30%	0.85%	45 bps
2/10 Spread	117 bps	71 bps	46 bps

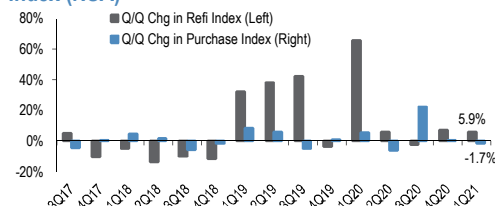
Source: Bloomberg Finance L.P. Note: Data as of 3/29/21.

Table 3: Summary of 1Q21E Change in NIM vs. 4Q20

	AMAL	BKU	CADE	CMA	CFR	EBC	FBK	FHB	FHN	FRC	GWB	HBT	HBAN	
4Q20	0.18%	0.01%	0.05%	0.03%	-0.13%	-0.20%	0.04%	0.01%	-0.03%	0.02%	0.12%	-0.09%	-0.02%	
1Q21E	0.01%	0.07%	-0.04%	0.02%	-0.05%	-0.05%	-0.01%	-0.04%	-0.10%	-0.01%	-0.13%	-0.03%	0.01%	Median
	KEY	MCB	NYCB	PNFP	SBNY	SIVB	SNV	TCBI	UMPQ	VLY	WBS	ZION		0.02%
4Q20	0.08%	0.03%	0.10%	0.17%	-0.31%	-0.13%	0.02%	0.10%	0.28%	0.05%	-0.05%	-0.11%		-0.03%
1Q21E	-0.01%	-0.06%	0.05%	0.03%	-0.03%	-0.14%	-0.01%	-0.06%	-0.09%	-0.02%	0.04%	-0.04%		

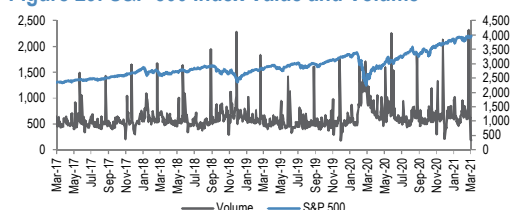
Source: Company reports and J.P. Morgan estimates. Note: Core NIM used for GWB, SBNY, and UMPQ.

Figure 28: Q/Q Change in MBA Purchase and Refi Index (NSA)



Source: Bloomberg Finance L.P. Note: MBA data as of 3/19/21.

Figure 29: S&P 500 Index Value and Volume



Source: Bloomberg Finance L.P. Note: Data is up to 3/29/21.

PTPP Income Expected to Decline Q/Q on Lower Revenue

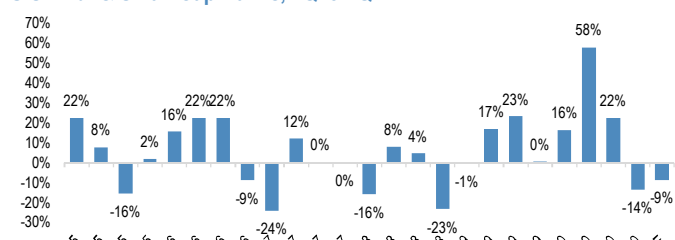
- Core PTPP income expected to decrease q/q.** We expect revenue to decrease 9.7% ann. driven by a 7.0% decline in net interest income as NIM is expected to decline 3 bps q/q offset by average earning assets rising 3.7% ann. Fee income is forecasted to decline 16.6%. Core expenses are expected to remain flattish q/q. As a result, given the decline in revenue, PTPP income is expected to decrease 18.4% ann. On a y/y basis, PTPP income is expected to rise 7.4% with revenue forecasted to increase 4.3% while core expenses are expected to rise 4.1%.
- Mortgage banking revenues expected to decline q/q.** Mortgage banking revenues in our coverage group are expected to decrease 34.7% ann. q/q following a strong 4Q20. The Mortgage Bankers Association (MBA) is forecasting a 20.2% q/q decrease in purchase activity in 1Q21 (vs. down 4.1% q/q in 4Q20) and a 2.2% q/q increase in refinance activity in 1Q21 (vs. up 10.0% q/q in 4Q20), translating into a 5.8% q/q decline in total origination volumes. We note that the average 30-year fixed rate has increased 4 bps in 1Q21 while the average 15-year fixed rate has declined 8 bps.
- Given backdrop of elevated volatility and little new loan demand, FHN fixed income ADR should benefit.** Market volatility remained elevated during the quarter with the VIX averaging 23.3 in the quarter-to-date period, though this is down 9% from 25.6 in 4Q20. With market volatility remaining elevated and little new loan demand, we expect First Horizon's fixed income business to report an Average Daily Revenue (ADR) above \$1mm for the sixth consecutive quarter.

Table 4: MBA Mortgage Originations Forecast as of February 2021 (\$ billions)

\$ in billions	2020	1Q21E	2Q21E	3Q21E	4Q21E	2021E	1Q22E	2Q22E	3Q22E	4Q22E	2022E	2023E
Total 1- to 4-Family	3,692	1,060	683	638	578	2,959	512	536	601	552	2,201	2,173
Growth (q/q)	69.9%	-5.8%	-35.6%	-6.6%	-9.4%	-19.9%	-11.4%	4.7%	12.1%	-8.2%	-25.6%	-1.3%
Chg. Vs Prior 4Q20 Forecast	8.9%	51.4%	5.4%	-0.2%	0.7%	15.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Purchase	1,424	320	378	443	433	1,574	362	395	459	412	1,628	1,653
Growth (q/q)	11.9%	-20.2%	18.1%	17.2%	-2.3%	10.5%	-16.4%	9.1%	16.2%	-10.2%	3.4%	1.5%
Chg. Vs Prior 4Q20 Forecast	0.2%	-9.9%	-0.5%	1.8%	3.1%	-1.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Refinance	2,268	740	305	195	145	1,385	150	141	142	140	573	520
Growth (q/q)	151.7%	2.2%	-58.8%	-36.1%	-25.6%	-38.9%	3.4%	-6.0%	0.7%	-1.4%	-58.6%	-9.2%
Chg. Vs Prior 4Q20 Forecast	15.2%	114.5%	13.8%	-4.4%	-5.8%	42.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Avg. 30-Yr Fixed Rate	2.8%	2.8%	3.1%	3.3%	3.4%	3.4%	3.6%	3.7%	3.8%	3.9%	3.9%	4.4%

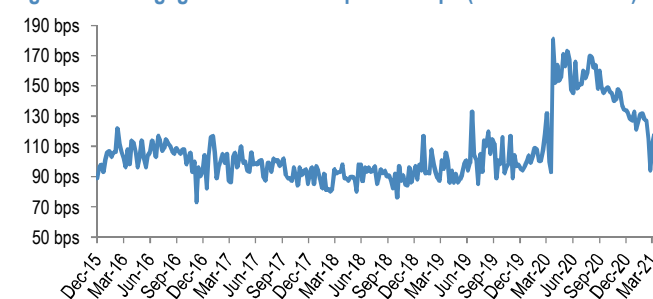
Source: Mortgage Bankers Association. Note: MBA forecast is as of 2/19/21.

Figure 30: Q/Q Unannualized Growth in Mortgage Banking Revenue for U.S. Mid- & Small-Cap Banks, 1Q15-1Q21E



Source: Company reports and J.P. Morgan estimates.

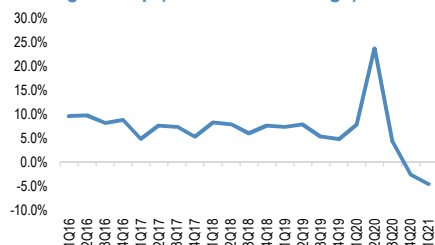
Figure 31: Mortgage Gain-on-Sale Spread in bps (Dec-15 to Mar-21)



Source: Bloomberg Finance L.P. Data is up to 3/26/21.

Loans to Decline Q/Q Amid Low Demand, While PPP Forgiveness Also Weighing on Loan Growth

Figure 32: Average Loan Growth Trend for Our Coverage Group (Ann. Q/Q % Change)



Source: Company reports and J.P. Morgan estimates. Growth rates are adjusted to exclude the impact of acquisitions.

- **Loan growth expected to decline q/q in 1Q21.** Average loans for banks in our coverage are expected to decline at a 4.6% annualized pace after declining 2.6% annualized in the prior quarter, as demand for loan remains tepid while PPP forgiveness also weighs on loan growth in the quarter. On a period-end basis, we expect loans to decline at an annualized pace of 1.1%. On a year-on-year basis, average loan growth is expected to increase 5.1%.
- **H.8 data shows loans at big banks saw a sharp decline in the quarter.** H.8 data for 1QTD points to loan growth at small banks remain muted during the quarter. H.8 data points to loans at small banks growing at a 1.1% annualized pace driven by C&I loans (+13.3% ann.), consumer (+10.4% ann.) and CRE (+2.9% ann.). Meanwhile, loans at big banks declined at an 8.8% annualized pace with the decline led by lower 1-4 family loans (-11.5% ann.), multifamily loans (-6.7% ann.), CRE (-4.7% ann.), and C&I loans (-3.6% ann.).
- **On a y/y basis, H.8 data indicates loan growth at small banks and decline at big banks.** Small bank loans have increased 7.1% year-over-year, led by C&I (+30.4%). Meanwhile, loans at large banks have declined 6.9% year-over-year, led by C&I (-15.0%) and CRE (-4.2%).
- **Comerica and Huntington's intra-quarter updates indicate decline in loans for 1Q21.** During the quarter, Comerica provided a mid-quarter update in which it reported that average loans through February 28 declined \$0.8B to \$50.6B. The decrease was led by Mortgage Banker (-\$616mm), Energy (-\$223mm), and Middle Market and Small Business (PPP) (-\$201mm), partially offset by an increase in Equity Fund Services (+\$190mm). Similarly, Huntington provided a mid-quarter update (through February 28), which showed that average loans decreased by \$0.6B to \$80.5B, led by PPP loan forgiveness and further decline in dealer floorplan utilization while consumer loans were down largely due to mortgage. However, Huntington indicated that commercial pipelines continue to build, providing optimism for improved growth later in 2021.

Table 5: Annualized Q/Q Change in Loan Balances for Small Commercial Banks (NSA)

	1Q20 Change	2Q20 Change	3Q20 Change	4Q20 Change	1Q21 QTD Change
Loans					
C&I	21.3%	141.1%	-6.7%	-18.6%	13.3%
1-4 Family	5.2%	-2.4%	1.1%	-4.0%	-0.4%
Multifamily	10.0%	6.9%	8.0%	1.1%	-1.1%
C&D	6.6%	9.5%	-0.5%	2.1%	0.7%
Commercial RE	6.6%	4.5%	6.2%	3.7%	2.9%
Total Consumer	-2.5%	-0.1%	12.4%	9.0%	10.4%
Auto	1.2%	1.4%	-1.2%	-4.3%	3.2%
Other consumer	-4.2%	-0.8%	18.7%	14.8%	13.5%
Credit cards & Other	-19.6%	-29.9%	-6.4%	16.9%	-37.6%
Total Loans & Leases	8.0%	26.3%	2.6%	-1.5%	1.1%

Source: Federal Reserve H.8 report. 1Q21 data is through 3/17/21.

Table 6: Annualized Q/Q Change in Loan Balances for Large Commercial Banks (NSA)

	1Q20 Change	2Q20 Change	3Q20 Change	4Q20 Change	1Q21 QTD Change
Loans					
C&I	72.4%	-10.2%	-38.5%	-10.7%	-3.6%
1-4 Family	-3.9%	-0.1%	1.9%	-11.6%	-11.5%
Multifamily	6.0%	3.0%	-0.4%	-2.7%	-6.7%
C&D	11.0%	20.1%	12.6%	0.2%	6.2%
Commercial RE	2.4%	-3.4%	-6.3%	-3.5%	-4.7%
Total Consumer	4.6%	-0.3%	6.9%	2.5%	1.2%
Auto	5.2%	-1.6%	8.6%	4.2%	2.2%
Other consumer	3.0%	3.3%	2.3%	-2.3%	-1.6%
Credit cards & Other	-27.4%	-34.1%	-1.2%	13.2%	-28.9%
Total Loans & Leases	20.2%	-10.1%	-10.0%	-0.9%	-8.8%

Source: Federal Reserve H.8 report. 1Q21 data is through 3/17/21.

Table 7: Y/Y Change in Loan Balances for Small Commercial Banks (NSA)

	1Q20 Change	2Q20 Change	3Q20 Change	4Q20 Change	1Q21 QTD Change
Loans					
C&I	9.5%	44.9%	42.2%	33.6%	30.4%
1-4 Family	7.0%	4.2%	2.7%	-0.1%	-1.4%
Multifamily	15.1%	12.7%	13.5%	6.6%	3.8%
C&D	6.8%	7.2%	5.4%	4.5%	2.9%
Commercial RE	7.4%	6.7%	7.0%	5.4%	4.3%
Total Consumer	6.4%	3.7%	3.8%	4.7%	7.7%
Auto	5.0%	3.2%	0.8%	-0.7%	-0.3%
Other consumer	7.1%	3.9%	5.2%	7.2%	11.4%
Credit cards & Other	2.8%	-6.8%	-9.7%	-9.7%	-12.6%
Total Loans & Leases	8.5%	12.9%	12.0%	9.0%	7.1%

Source: Federal Reserve H.8 report. 1Q21 data is through 3/17/21.

Table 8: Y/Y Change in Loan Balances for Large Commercial Banks (NSA)

	1Q20 Change	2Q20 Change	3Q20 Change	4Q20 Change	1Q21 QTD Change
Loans					
C&I	17.2%	13.9%	3.3%	1.2%	-15.0%
1-4 Family	0.8%	-0.2%	0.1%	-3.4%	-4.8%
Multifamily	9.1%	8.5%	5.2%	1.5%	-1.5%
C&D	-0.6%	6.2%	9.9%	11.4%	9.8%
Commercial RE	3.3%	2.3%	-0.7%	-2.7%	-4.2%
Total Consumer	7.7%	4.9%	4.0%	3.5%	2.5%
Auto	7.1%	4.3%	4.1%	4.1%	3.3%
Other consumer	9.4%	6.3%	4.0%	1.6%	0.5%
Credit cards & Other	3.7%	-7.8%	-9.0%	-12.2%	-11.5%
Total Loans & Leases	8.9%	4.6%	1.6%	-0.4%	-6.9%

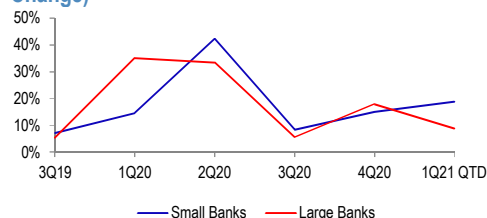
Source: Federal Reserve H.8 report. 1Q21 data is through 3/17/21.

Table 9: Summary of 1Q21E Average Loan Growth (Annualized) vs. 4Q20

	AMAL	BKU	CADE	CMA	CFR	EBC	FBK	FHB	FHN	FRC	GWB	HBT	HBAN	
4Q20	-7.3%	4.4%	-12.1%	-4.7%	-4.5%	-4.8%	71.1%	-5.7%	-2.0%	23.7%	-18.2%	3.1%	2.9%	
1Q21E	-15.4%	6.6%	-16.8%	-0.4%	-31.2%	-10.2%	4.1%	-7.3%	-8.6%	16.6%	-4.6%	-9.4%	2.7%	Median
	KEY	MCB	NYCB	PNFP	SBNY	SIVB	SNV	TCBI	UMPQ	VLY	WBS	ZION		
4Q20	-12.2%	16.9%	1.3%	0.6%	17.3%	45.1%	-9.0%	-4.8%	-7.5%	0.7%	-2.6%	-7.4%		-2.6%
1Q21E	-5.3%	16.3%	3.2%	-10.2%	13.3%	42.4%	-8.4%	-14.5%	1.4%	3.5%	-0.6%	-12.9%		-4.6%

Source: Company reports and J.P. Morgan estimates. Note: Median average growth rates exclude the impact of deals.

Figure 33: Deposit Growth of Large and Small Domestically Chartered Banks (Annualized % Change)



Source: Federal Reserve H.8 report. 1Q21 data is through 3/17/21.

Deposits Expected to Remain Flat While Securities to Continue Increasing During the Quarter

- **We forecast average deposits to increase just 0.5% annualized in 1Q21.** With banks experiencing strong tailwinds to deposit inflows from government stimulus like PPP for the past several quarters, we expect average deposits to grow just 0.5% annualized during the quarter. Meanwhile, we expect the loan-to-deposit ratio to remain relatively stable q/q at 78.8% for our coverage group.
- **H.8 data points to deposit growth for small and large banks, driven by non-CD products.** H.8 data thus far in 1Q21 shows q/q growth for both small bank deposits (at 18.9% annualized) and large bank deposits (at 8.8% annualized). The increase in deposits during the quarter is being driven by other deposits which includes non-interest bearing deposits. H.8 data indicates other deposits at small banks increasing at a 22.4% annualized pace while those at big banks increasing at a 9.9% annualized pace. Meanwhile, CD balances at both small and large banks have declined sharply q/q.
- **H.8 data shows sharp increase in securities balances for small and large banks.** After posting strong growth in both small banks and large banks in 4Q20, securities balances at small and big banks continue to see a sharp increase per the H.8 data. Total securities at small banks have increased at a 32.8% annualized pace while securities at big banks have increased 14.8% on an annualized basis. For small banks, the increase in securities is broad-based, including both Treasury and Agency securities and for big banks, the increase is primarily driven by Treasury and Agency MBS securities.

Table 10: Small Commercial Bank Annualized Q/Q Change in Deposit Balances (NSA)

	1Q20 Change	2Q20 Change	3Q20 Change	4Q20 Change	1Q21 QTD Change
CDs	-0.7%	-13.1%	-27.4%	-15.8%	-14.6%
Other deposits	16.9%	50.4%	12.9%	18.5%	22.4%
Total Deposits	14.5%	42.4%	8.4%	15.0%	18.9%

Source: Federal Reserve H.8 report. 1Q21 data is through 3/17/21.

Table 11: Large Commercial Bank Annualized Q/Q Change in Deposit Balances (NSA)

	1Q20 Change	2Q20 Change	3Q20 Change	4Q20 Change	1Q21 QTD Change
CDs	9.5%	-70.2%	-84.9%	-37.0%	-28.1%
Other deposits	36.9%	40.0%	9.8%	20.0%	9.9%
Total Deposits	35.2%	33.5%	5.6%	18.0%	8.8%

Source: Federal Reserve H.8 report. 1Q21 data is through 3/17/21.

Table 12: Small Commercial Bank Annualized Q/Q Change in Securities Balances (NSA)

	1Q20 Change	2Q20 Change	3Q20 Change	4Q20 Change	1Q21 QTD Change
Treasury & Agency	1.7%	10.6%	22.4%	27.3%	34.7%
Other Securities	23.1%	36.3%	26.7%	37.1%	28.2%
Total Securities	7.3%	17.7%	23.7%	30.1%	32.8%

Source: Federal Reserve H.8 report. 1Q21 data is through 3/17/21.

Table 13: Large Commercial Bank Annualized Q/Q Change in Securities Balances (NSA)

	1Q20 Change	2Q20 Change	3Q20 Change	4Q20 Change	1Q21 QTD Change
Treasury & Agency	29.2%	23.2%	31.0%	28.5%	17.9%
Other Securities	8.8%	-10.9%	16.1%	2.6%	-2.2%
Total Securities	25.4%	17.1%	28.5%	24.3%	14.8%

Source: Federal Reserve H.8 report. 3Q20 data is through 3/17/21.

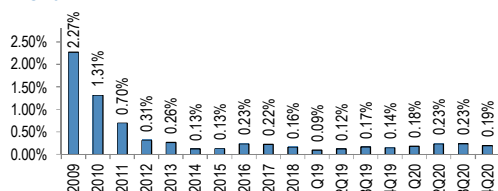
Table 14: Summary of 1Q21E Average Deposit Growth (Annualized) vs. 4Q20

	AMAL	BKU	CADE	CMA	CFR	EBC	FBK	FHB	FHN	FRC	GWB	HBT	HBAN	
4Q20	-21.6%	16.6%	2.8%	8.6%	15.3%	5.8%	91.8%	2.7%	15.1%	36.7%	3.7%	11.9%	6.4%	
1Q21E	-9.3%	8.5%	-10.7%	7.3%	-12.1%	1.4%	0.5%	-9.0%	-2.4%	10.4%	-6.0%	-9.1%	11.0%	Median
	KEY	MCB	NYCB	PNFP	SBNY	SIVB	SNV	TCBI	UMPQ	VLV	WBS	ZION		
4Q20	2.3%	22.2%	6.4%	12.8%	80.3%	76.0%	14.7%	9.8%	-0.6%	4.7%	4.1%	10.6%		9.8%
1Q21E	-9.7%	18.9%	4.6%	-10.3%	32.4%	75.8%	-5.9%	-9.6%	1.7%	2.5%	3.6%	-10.4%		0.5%

Source: Company reports and J.P. Morgan estimates. Note: Median average growth rates exclude the impact of deals.

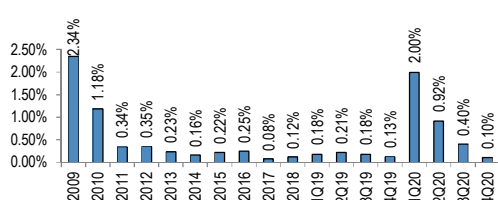
We Expect NCOs to Rise Slightly Q/Q in 1Q21

Figure 34: US SMid-Cap Bank Median NCO Ratio Trend



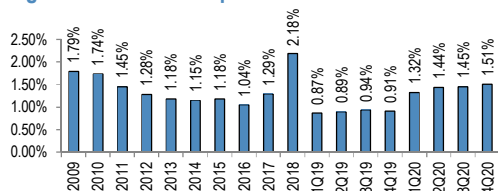
Source: Company reports.

Figure 35: US SMid-Cap Bank Median Provision/Avg. Loans



Source: Company reports.

Figure 36: US SMid-Cap Bank Median Reserve Ratio



Source: Company reports.

- **Median net charge-off ratio to increase q/q to 0.44%.** We expect the median NCO ratio for banks in our coverage to rise to 0.44% in 1Q21. This compares to 0.19% in 4Q20. With a credit cycle likely avoided at this stage, we continue to be on the lookout for any signs of credit migration particularly from loan portfolios that have been the most impacted such as the restaurants and hospitality segments.
- **Expect nonperforming assets (incl. TDRs) to slightly decrease q/q.** We expect NPAs to decrease 1.5% q/q in 1Q21 and to increase 2.9% on a y/y basis. We expect the median NPA ratio to remain flat q/q in 1Q21 at 0.59%.
- **Provision rate expected to increase linked quarter.** We expect the provision rate to increase by 22 bps q/q to 0.33%, which is in line with historical levels in the low-30 bps range and above the median 4Q20 provision ratio at 0.10%.
- **Median reserve ratio expected to decrease slightly q/q to 1.48%.** We are modeling a total reserve release of \$236mm for our coverage group in 1Q21. This compares to a reserve release of \$379mm in 4Q20. We expect the median reserve ratio to decrease by 1 bp q/q to 1.48% in 1Q21.

Table 15: Summary of 1Q21E Credit Trends (\$ in millions)

		Reserve Ratio		NCO Ratio		NPA Growth		
	1Q21E Reserve Build	4Q20 Reserve Build	1Q21E Change	4Q20 Change	1Q21E NCO Ratio	4Q20 NCO Ratio	1Q21E	4Q20
AMAL	(\$1)	(\$6)	0.03%	-0.14%	0.50%	1.24%	-3.0%	2.0%
BKU	(\$3)	(\$16)	-0.03%	-0.07%	0.38%	0.30%	15.0%	22.1%
CADE	(\$18)	(\$18)	-0.13%	0.02%	0.90%	0.64%	5.0%	-24.7%
CMA	(\$19)	(\$46)	-0.03%	-0.05%	0.47%	0.22%	7.0%	16.3%
CFR	(\$11)	\$0	0.06%	0.06%	0.51%	0.30%	-10.0%	-35.3%
EBC	\$0	(\$2)	0.05%	0.00%	0.35%	0.13%	-1.5%	1.6%
FBK	(\$2)	(\$13)	-0.05%	-0.14%	0.45%	0.45%	-3.2%	12.5%
FHB	\$1	\$19	0.04%	0.12%	0.32%	0.04%	-2.0%	-48.5%
FHN	(\$8)	(\$28)	0.02%	0.00%	0.32%	0.19%	7.0%	-13.6%
FRC	\$20	\$36	0.01%	-0.01%	0.03%	0.00%	5.0%	11.3%
GWB	(\$4)	(\$18)	0.00%	1.76%	0.52%	1.27%	-2.5%	-8.2%
HBAN	(\$26)	(\$9)	-0.05%	0.01%	0.45%	0.55%	-3.2%	-4.4%
HBT	\$0	\$0	0.03%	0.03%	0.35%	0.04%	-5.0%	-18.1%
KEY	(\$46)	(\$115)	-0.02%	-0.07%	0.51%	0.53%	-2.8%	-6.1%
MCB	\$0	\$2	-0.03%	0.00%	0.30%	0.00%	4.5%	0.7%
NYCB	(\$2)	\$5	-0.01%	0.01%	0.35%	0.05%	4.1%	-11.0%
PNFP	(\$5)	(\$4)	0.01%	-0.01%	0.44%	0.19%	6.8%	-5.1%
SBNY	(\$6)	\$24	-0.04%	-0.01%	0.29%	0.10%	6.8%	20.5%
SIVB	(\$56)	(\$48)	-0.20%	-0.34%	0.85%	0.09%	6.0%	-1.4%
SNV	\$0	(\$11)	0.03%	0.02%	0.34%	0.23%	-3.3%	-8.0%
TCBI	(\$9)	(\$33)	-0.01%	-0.18%	0.59%	1.67%	-5.0%	-24.7%
UMPQ	(\$5)	(\$20)	-0.03%	-0.03%	0.42%	0.36%	-1.7%	-11.2%
VLY	(\$3)	\$16	-0.02%	0.05%	0.32%	0.04%	-3.0%	-3.7%
WBS	(\$9)	(\$10)	-0.04%	-0.03%	0.50%	0.17%	4.9%	1.9%
ZION	(\$23)	(\$82)	0.00%	-0.11%	0.50%	0.11%	5.1%	0.0%
Total/Median	(\$236)	(\$379)	-0.01%	-0.01%	0.44%	0.19%	-1.5%	-4.4%

Source: Company reports and J.P. Morgan estimates.

Table 16: US Mid- and Small-Cap Banks 1Q21 Earnings Calendar – April 2021

Monday	Tuesday	Wednesday	Thursday	Friday
12	13	14	15	16
		<u>Earnings Release:</u> FRC (BMO) <u>Conference Call:</u> FRC 10:00 AM (800) 458-4121 8396045		
19	20	21	22	23
<u>Earnings Release:</u> ZION (AMC) <u>Conference Call:</u> ZION 5:30 PM (253) 237-1247 2659447	<u>Earnings Release:</u> CMA (BMO) KEY (BMO) SNV (BMO) <u>Conference Call:</u> CMA 8:00 AM (800) 309-2262 5279833 SNV 8:30 AM TBD KEY 10:00 AM TBD	<u>Earnings Release:</u> FHN (BMO) UMPQ (AMC) <u>Conference Call:</u> FHN 9:30 AM (888) 317-6003 3384998	<u>Earnings Release:</u> HBAN (BMO) CADE (BMO) SIVB (AMC) <u>Conference Call:</u> CADE 8:30 AM (888) 317-6003 9653528 HBAN 8:30 AM (877) 407-8029 13716636 UMPQ 1:00 PM (866) 440-7407 7292532 SIVB 6:00 PM TBD	
26	27	28	29	30
		<u>Earnings Release:</u> NYCB (BMO) <u>Conference Call:</u> NYCB 8:30 AM (877) 407-8293		

Source: Company reports. AMAL, BKU, CFR, EBC, FBK, FHB, GWB, HBT, MCB, PNFP, SBNY, TCBI, VLY, and WBS have not yet announced dates. Time zone represents ET.

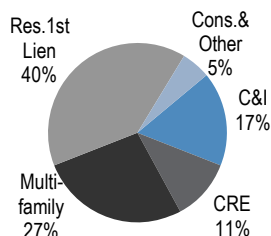
JPM vs. Consensus EPS Estimates

Table 17: Core EPS Estimate Summary Versus Consensus

Ticker	1Q21E JPM vs Consensus					2021E JPM vs Consensus					2022E JPM vs Consensus				
	JPM	Cons.	Above	In line	Below	JPM	Cons.	Above	In line	Below	JPM	Cons.	Above	In line	Below
AMAL	\$0.34	\$0.33	\$0.01			\$1.61	\$1.48	\$0.13			\$1.91	\$1.79	\$0.12		
BKU	\$0.65	\$0.74			(\$0.09)	\$3.19	\$3.08	\$0.11			\$3.75	\$3.39	\$0.36		
CADE	\$0.49	\$0.48	\$0.01			\$1.94	\$1.83	\$0.11			\$1.92	\$1.68	\$0.24		
CMA	\$1.20	\$1.33			(\$0.13)	\$5.03	\$5.18			(\$0.15)	\$5.41	\$4.94	\$0.47		
CFR	\$1.19	\$1.44			(\$0.25)	\$5.27	\$5.23	\$0.04			\$5.72	\$4.82	\$0.90		
EBC	\$0.17	\$0.20			(\$0.03)	\$0.73	\$0.70	\$0.03			\$0.78	\$0.77	\$0.01		
FBK	\$0.91	\$0.88	\$0.03			\$3.13	\$3.14			(\$0.01)	\$2.97	\$2.76	\$0.21		
FHN	\$0.34	\$0.38			(\$0.04)	\$1.43	\$1.50			(\$0.07)	\$1.53	\$1.52	\$0.01		
FHB	\$0.43	\$0.43		\$0.00		\$1.74	\$1.67	\$0.07			\$1.87	\$1.68	\$0.19		
FRC	\$1.47	\$1.53			(\$0.06)	\$6.21	\$6.48			(\$0.27)	\$7.41	\$7.22	\$0.19		
GWB	\$0.62	\$0.59	\$0.03			\$2.68	\$2.28	\$0.40			\$2.93	N/A			
HBT	\$0.39	\$0.40			(\$0.01)	\$1.62	\$1.49	\$0.13			\$1.82	\$1.45	\$0.37		
HBAN	\$0.33	\$0.32	\$0.01			\$1.36	\$1.27	\$0.09			\$1.48	\$1.37	\$0.11		
KEY	\$0.47	\$0.46	\$0.01			\$2.02	\$1.82	\$0.20			\$2.16	\$1.83	\$0.33		
MCB	\$1.26	\$1.26		\$0.00		\$5.76	\$5.34	\$0.42			\$6.77	\$6.43	\$0.34		
NYCB	\$0.26	\$0.27			(\$0.01)	\$1.17	\$1.13	\$0.04			\$1.35	\$1.24	\$0.11		
PNFP	\$1.34	\$1.41			(\$0.07)	\$5.77	\$5.26	\$0.51			\$6.12	\$5.37	\$0.75		
SBNY	\$2.78	\$2.85			(\$0.07)	\$12.43	\$12.04	\$0.39			\$15.31	\$13.89	\$1.42		
SIVB	\$7.89	\$5.94	\$1.95			\$23.00	\$22.75	\$0.25			\$25.00	\$23.11	\$1.89		
SNV	\$0.88	\$0.94			(\$0.06)	\$3.54	\$3.64			(\$0.10)	\$4.00	\$3.84	\$0.16		
TCBI	\$1.33	\$1.11	\$0.22			\$4.83	\$4.33	\$0.50			\$4.22	\$4.56			(\$0.34)
UMPQ	\$0.51	\$0.45	\$0.06			\$1.74	\$1.64	\$0.10			\$1.54	\$1.60			(\$0.06)
VLV	\$0.28	\$0.28		\$0.00		\$1.17	\$1.09	\$0.08			\$1.27	\$1.13	\$0.14		
WBS	\$0.79	\$0.90			(\$0.11)	\$3.80	\$3.72	\$0.08			\$4.58	\$4.14	\$0.44		
ZION	\$0.96	\$1.14			(\$0.18)	\$4.07	\$4.25			(\$0.18)	\$4.45	\$4.11	\$0.34		

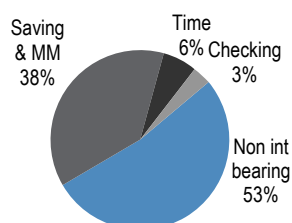
Source: Bloomberg Finance L.P. and J.P. Morgan estimates.

Figure 37: AMAL Loan Mix



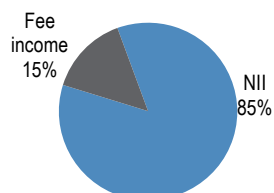
Source: Company reports.

Figure 38: AMAL Deposit Mix



Source: Company reports.

Figure 39: AMAL LTM Revenue Mix



Source: Company reports.

Table 18: AMAL Line Item Estimate vs. Consensus

	JPM	Cons	Diff
Revenue	50	48	5%
NII	43	43	-1%
Fee Income	7	4	NM
Expenses	32	32	1%
LLP	3	2	34%
Core Net Income	11	10	1%
Avg. Dil. Shares	31,145	31,155	0%
NIM	3.07%	3.12%	-0.05%
Efficiency Ratio	64.83%	66.87%	-2.04%

Source: SNL Financial and J.P. Morgan estimates. Note: Consensus is based on SNL mean estimates. Line items may not be comparable.

Amalgamated 1Q21 Preview (AMAL, N)

Table 19: Estimate Comparison versus Consensus

	1Q21E	2021E	2022E
JPM	\$0.34	\$1.61	\$1.91
Cons.	\$0.33	\$1.48	\$1.79
Diff.	\$0.01	\$0.13	\$0.12

Source: Bloomberg Finance L.P. and J.P. Morgan estimates.

Significant First-Quarter Items

- Items to watch out for during 1Q21 earnings:**
 - On the January earnings call, former CEO Keith Mestrich noted that the company was in final stages of searching for a new CEO, with an announcement likely to come in February. As this has clearly passed, we look for an update.
 - As part of 1Q21 preliminary results (through 2/28), AMAL pointed to deposits increasing by ~\$233mm QTD and loans declining by ~\$224mm QTD tied to elevated prepayments. We look for the company's view on when deposit growth will normalize as well as loan growth for the rest of 2021.
- Incremental updates during 1Q21:**
 - As previously announced in October, former CEO Keith Mestrich resigned from his position as President/CEO and a director of Amalgamated effective 1/31.
 - We downgraded shares of AMAL from Overweight to Neutral following the announcement on 3/22 that CFO Drew LaBenne would step down from his position (view report [here](#)). Although it doesn't appear the recent departures of the two senior leaders of the company are related to any negative news pending on the financial front, we view it as a potential red flag signaling a challenge for AMAL to retain and motivate top talent.
- Quick take on expected fundamental trends in 1Q21:**
 - Core EPS:** We forecast core EPS of \$0.34, a penny above consensus.
 - NIM:** We forecast NIM to increase 1 bp q/q.
- Prior management guidance:** (1) Core PTPP income of \$72-88mm for 2021; (2) 10% growth in balance sheet driven by deposits; (3) Core expenses expected to run higher in 1Q21 and 2Q21 and then lower in the second half of 2021.

Table 20: Selected Financial Projections (in \$ millions, except EPS)

	1Q21E	4Q20	1Q20	Ann. Chg	Y/Y Chg
Core EPS	\$0.34	\$0.40	\$0.29	-60.3%	17.6%
Net Interest Income	43	46	45	-24.7%	-4.1%
Fee Income	7	8	7	-54.0%	-1.2%
Expenses	32	32	30	-0.5%	5.9%
PTPP Income	14	23	22	NM	5.9%
Loan Loss Provision	3	5	9	NM	-65.8%
Pre-tax income	11	18	13	NM	-18.3%
Taxes	3	5	3	NM	-17.8%
Net Income	8	14	10	NM	-18.5%
Avg Earning Assets	5,660	5,938	5,195	-18.7%	9.0%
Average Loans	3,369	3,504	3,464	-15.4%	-2.7%
Average Deposits	5,442	5,572	4,825	-9.3%	12.8%
Net Interest Margin	3.07%	3.06%	3.46%	1 bps	-39 bps
Reserve/Loan Ratio	1.23%	1.19%	1.19%	3 bps	4 bps
TCE/TA	8.41%	8.68%	7.92%	-27 bps	50 bps
ROTE	8.33%	9.95%	8.16%	-162 bps	16 bps

Source: Company reports and J.P. Morgan estimates. Note: Growth rates are linked quarter annualized.

Investment Thesis, Valuation and Risks

Amalgamated Financial Corp *(Neutral; Price Target: \$18.00)*

Departures Leave More Questions than Answers; Departures of CEO and CFO Paint a Cloudier Outlook for AMAL, Especially with the Permanent CEO Seat Still Vacant; Maintain Neutral

In October 2020, Amalgamated's former CEO Keith Mestrich announced that he was stepping down to pursue new opportunities. Although we were initially surprised by this announcement, we felt reassured at the time that the company had a very talented lineup on the management team (including CFO Drew LaBenne and COO Martin Murrell) that were under consideration as internal candidates to replace Mr. Mestrich as CEO, particularly with their significant involvement in improving the overall performance of the company over the past several years. In fact, on the January earnings call, CEO Mestrich noted that the company was in the final stages with an announcement likely to come sometime in February (which has clearly now passed). While all of this sounded positive, we were surprised by the announcement on 3/22 that CFO Drew LaBenne was also stepping down from his position to pursue an opportunity outside of the company. While CFO LaBenne's departure on its own would not have been much of a concern to us, with yesterday's announcement occurring only five months after the company announced former CEO Mestrich's departure, we believe that this paints a more uncertain outlook for Amalgamated (particularly with the permanent CEO seat still empty). Combining this cloudier outlook for Amalgamated, which could present a challenge for the company to realize its vision and impact its future growth trends, with the recent departures of the CEO and now the CFO, we maintain our Neutral rating on AMAL.

With bank stocks, we believe that when a red flag emerges, it may be prudent to move to the sidelines and reassess. While AMAL shares appear very cheap on surface, trading at 8.5x 2022e EPS (or a 28% discount to banks in our broader coverage universe), we also believe that there's no level of a bank stock being "cheap" that can compensate for something that does not add up. While each executive (Mestrich and LeBenne) explained to us that they decided to take their career in a different direction, with two key executives leaving in a matter of months, it would appear that Amalgamated may have a challenge as it relates to retaining and motivating top talent. It simply does not add up to us that a mission driven company could lose its CEO and CFO in a span of less than six months. Not to mention that it is likely that the departures of two key executives in a very short period of time could weigh on the morale of the existing employees. It's quite common that when certain key executives depart that this opens the door for other employees to follow their lead. With our prior positive thesis on Amalgamated largely being tied to the company continuing to grow market share in its niche, the recent departures appear to us to be a clear setback. As a result, we maintain our Neutral rating on AMAL shares.

Estimate Revisions

We are decreasing our 2021e core EPS estimate from \$1.65 to \$1.61 while increasing our 2022e core EPS estimate from \$1.84 to \$1.91. We are also introducing our 2023e core EPS estimate of \$2.24. We note that in our estimates, we assume the forward curve.

Valuation

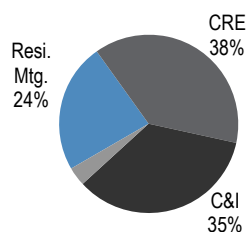
AMAL shares currently trade at 8.5x 2022e EPS, or a 28% discount to peers. We are establishing our December 2022 price target of \$18 (as compared to our December 2021 price target of \$17.50), which assumes shares trade at 8.0x 2023e EPS, or at a 34% discount to peers. We see recent departures of CEO and CFO raise uncertainty ahead for the bank and potentially set it back from realizing its vision.

Risks to Rating and Price Target

We believe there are four primary risks to our Neutral rating and price target.

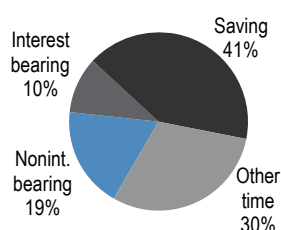
- **Upside/Downside: Management change.** Amalgamated is in the process of searching for a replacement for the CEO role, as former CEO Keith Mestrich left the firm in January 2021 to pursue interests outside of the firm. In addition, CFO Drew LaBenne announced that he is stepping down in April 2021 to pursue interests outside of the firm. If the company announces a replacement CEO and CFO that is viewed as capable of carrying out the firm's mission while delivering shareholder value, AMAL shares may outperform. However, if the company selects a leadership team that will take time to prove its ability to continue with the company's mission, shares may underperform.
- **Upside/Downside: Credit.** With the company having de-risked its portfolio (e.g., indirect C&I) significantly over the past few years, we expect AMAL to perform at least in line with peers. Should the company see worse than forecasted / better than forecasted credit pressure, shares could underperform / outperform.
- **Upside/Downside: M&A activity.** While the company indicated on the 1Q20 earnings call that it remains on the sidelines on the M&A front, the bank has previously indicated strong interest in pursuing M&A opportunities as a means to grow its business and expand its target customer base. Without a premium currently, this introduces the risk of significant TBV dilution. Should the company pursue a poorly / attractively priced deal with excessive / minimal TBV dilution, shares could underperform / outperform.
- **Downside: Potential unwind of ownership by majority shareholders.** Large shareholders including Workers United (union) and Yucaipa Companies (private equity firm) own ~40% and ~12% of shares in the company, respectively. These two shareholders were owners of the company prior to its IPO in August 2018, and with lockup periods for Workers United and Yucaipa expired, if they were to sell down shares in larger amounts than expected, shares could underperform.

Figure 40: BKU Loan Mix



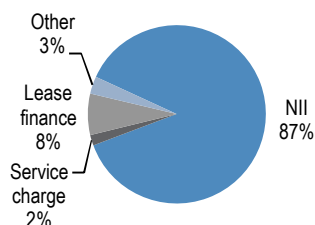
Source: Company reports.

Figure 41: BKU Deposit Mix



Source: Company reports.

Figure 42: BKU LTM Revenue Mix



Source: Company reports.

Table 21: BKU Line Item Estimate vs. Consensus

	JPM	Cons	Diff
Revenue	231	229	1%
NII	203	201	1%
Fee Income	28	28	0%
Expenses	125	121	3%
LLP	20	13	NM
Core Net Income	59	69	-13%
Avg. Dil. Shares	90,968	91,360	0%
NIM	2.40%	2.42%	-0.02%
Efficiency Ratio	53.91%	52.47%	1.44%

Source: SNL Financial and J.P. Morgan estimates. Note: Consensus is based on SNL mean estimates. Line items may not be comparable.

BankUnited 1Q21 Preview (BKU, OW)

Table 22: Estimate Comparison versus Consensus

	1Q21E	2021E	2022E
JPM	\$0.65	\$3.19	\$3.75
Cons.	\$0.74	\$3.08	\$3.39
Diff.	(\$0.09)	\$0.11	\$0.36

Source: Bloomberg Finance L.P. and J.P. Morgan estimates.

Significant First-Quarter Items

- Items to watch out for during 1Q21 earnings:**
 - While loan growth is challenging for the bank industry overall, BankUnited's GNMA buyout and mortgage warehouse lending business may benefit from a low mortgage rate environment.
 - COVID-19-exposed loans total \$3.0B or 12.7% of total loans, and we monitor the health of these portfolios (retail, franchise, hotel, airlines, and cruise lines) as the economy reopens.
 - BankUnited has been focused on growing non-interest bearing deposits, and we look for the bank's ability to grow non-interest bearing deposits and improve the bank's deposit mix.
- No incremental updates during 1Q21.**
- Quick take on expected fundamental trends in 1Q21:**
 - Core EPS:** We forecast core EPS of \$0.65, \$0.09 below consensus.
 - Loan growth:** We expect average loans to increase 6.6% annualized.
 - Deposit growth:** We forecast average deposit growth of 8.5% annualized.
 - NIM:** We expect NIM to expand 7 bps q/q in 1Q21.
- Prior management guidance:** (1) 2021 loan growth to be in mid-single digits; (2) Mid-single deposit growth in 2021; (3) Mid-teens non-interest bearing deposit growth in 2021; (4) Reported NIM to grow in 2021; (5) Interest bearing deposits to decline further; (6) 1Q21 securities yields to decline 5-7 bps q/q; (7) Mid-single digit increase in expenses in 2021; (8) 2021 tax rate of 25%.

Table 23: Selected Financial Projections (in \$ millions, except EPS)

	1Q21E	4Q20	1Q20	Ann. Chg	Y/Y Chg
Core EPS	\$0.65	\$0.82	-\$0.30	-83.1%	NM
Net Interest Income	203	198	182	10.9%	11.5%
Fee Income	28	28	27	4.1%	6.0%
Expenses	125	123	119	4.8%	5.0%
PTPP Income	107	112	87	-19.3%	23.2%
Loan Loss Provision	20	1	125	NM	-83.8%
Pre-tax income	82	107	-40	-92.3%	NM
Taxes	20	21	-9	-14.1%	NM
Net Income	59	81	-31	NM	NM
Avg Earning Assets	34,307	33,880	31,604	5.0%	8.6%
Average Loans	24,100	23,707	22,850	6.6%	5.5%
Average Deposits	27,838	27,257	24,464	8.5%	13.8%
Net Interest Margin	2.40%	2.33%	2.35%	7 bps	-2 bps
Reserve/Loan Ratio	1.05%	1.08%	1.08%	-3 bps	0 bps
TCE/TA	8.22%	8.32%	7.28%	-10 bps	104 bps
ROTE	8.17%	10.62%	-4.24%	-245 bps	1485 bps

Source: Company reports and J.P. Morgan estimates. Note: Growth rates are linked quarter annualized.

Investment Thesis, Valuation and Risks

BankUnited, Inc. *(Overweight; Price Target: \$55.00)*

Continued Investments in BKU 2.0 Position the Franchise for Long-Term Success; Favorable Risk/Reward and Maintain Overweight

Along with 4Q20 earnings, BankUnited guided to expense growth for 2021 in the mid-single digits range. While the market initially responded negatively to the higher than expected expense guidance, we had the opposite view and were encouraged by management taking a long-term view and re-investing in the business with the driver of expense growth in 2021 being investments in technology initiatives. In fact, this action bolsters our view that BKU is now on its way to transforming the bank with technology investments to enhance the customer experience and gain market share. This improved version of BKU is seen in the bank's ability to drive growth, particularly in the growth of non-interest bearing deposits which is now at 25% of total deposits (up from 18% just a year ago). We are encouraged by the bank remaining focused on investing to drive long term intrinsic value growth for investors. With shares trade in line with peers on 2022e EPS and we see this as an opportunity to buy a strong franchise positioning for long term success. We maintain our Overweight rating.

As we conducted interviews with the vast majority of banks in our coverage universe to better understand their competitive positioning in the digital age, one of the banks that we were most impressed with was BankUnited. In fact, while we view the BKU 2.0 initiative favorably, announced in early 2019, what we learned during our meeting was that the digital transformation of the company actually started well before 2019. One turning point for the bank was that with the new leadership of CEO Raj Singh (named CEO January 2017 and Chairman January 2019), the bank shifted its focus to grow organically by investing in the business and brought in a technology strategy that focuses on customer experience while improving business efficiency. Additionally, under the leadership of Lisa Shim, Head of Consumer and Small Business Banking, and Julio Jogaib, Chief Information Officer, who joined in September 2016, BankUnited had a new leadership team with a new vision for its technology strategy. The buy-in from senior management, however, was key to allow BankUnited to proceed with this new customer-centric technology strategy. To this end, even though the company has made strong progress thus far in terms of repositioning the company, we believe the transformation is still in the early innings with the strongest version of BKU still to come.

Followers of our work know that we have a bias toward banks that (1) are founder led, (2) provide a differentiated level of service, and (3) are in great markets. Not only does BKU check all of these boxes, but we believe the best is yet to come with many initiatives in the very early innings. In fact, with Raj Singh one of the original co-founders of BankUnited, we think the best version of the company in its history is still to come, which should result in the current in line with peer valuation on the stock to transform into a handsome P/E premium. In terms of the company providing a differentiated level to service to clients, although the company did not have enough of a sample size in the polling from J.D. Power to result in a client satisfaction score, when we contrast the approach being taken by BankUnited to some of the banks in our coverage universe that boast the highest customer satisfaction scores in the industry, such as First Republic and Pinnacle, we see many similarities with the approach that BankUnited is taking. In fact, a common denominator from all three of

these banks is a “tech and touch” approach where bankers are empowered to use state-of-the-art technology to provide an industry-leading level of service to clients. The other feature that the three banks have in common is great markets. Given this combination, we see tremendous runway ahead for BKU to drive market share gains.

Although BKU started on its digital journey several years ago, it was the formation of the BKU 2.0 initiative that provided the platform for the digital journey to start moving the needle on the client experience. In fact, when the company initially rolled out the BKU 2.0 plan, the first guiding principle was to design the bank structure, products, and processes around its customers’ needs. While many banks stop there, we believe the secret sauce of the plan to be the secondary initiative to improve the *employee* experience. In fact, as technology over time becomes more ubiquitous, it’s likely that empowered employees become *the* key point of differentiation in the digital age of banking. By empowering employees, the goal is to provide middle market and small business customers with a customized product and service set. We note that this is also a key feature of First Republic as well as Pinnacle. By reducing the friction points for customers, it is banks such as these that give us confidence that many regional banks are likely endgame winners in the digital age of banking.

Given BankUnited’s commercial client focus, it competes less on the retail banking side and focuses its technology strategy on the commercial side of the business to differentiate. The goal is to compete in niches where BankUnited can differentiate itself. The bank made a decision early on not to compete in mass consumer market as this is largely an area where the largest banks have the necessary scale. To do this, BankUnited has the ability to customize solutions for business customers to specific needs, particularly on the business deposit side. For example, in selected industry verticals, the bank customizes a suite of treasury management products to serve the unique needs for these customers. Meanwhile, these customized solutions may not be readily available at other competitors. The bank is focused on building out leading capabilities in the treasury management and payment space to drive stickier commercial client relationships. As an example, BankUnited is making investments in the commercial payments space that will impact many verticals.

In the middle market and corporate space, clients prefer to work with a banker and have the technology available to make banking easier where appropriate. The bank is now in the process of a phased rollout of a completely new consumer and small business mobile experience to enable customers to have the optionality of both an online experience as well as access to their bankers. BankUnited now has a brand new redesigned website that has a modern design, easier navigation, enhanced user experience, and adaptive screen optimization. One example of BankUnited improving the customer experience while lowering overall costs to service customers is in its pilot rollout of small business auto credit decisioning, which reduces the amount of time spent to make credit decisions for loans under \$250K from 45-60 days down to one week.

In the past, BankUnited was reliant on purchasing new technology vs. developing its own technology, but today BankUnited has more capabilities to develop new products; for example, it is in the process of developing its own mobile app. The bank has been building around its existing core banking system to meet the needs of new digital initiatives. Technologies like the cloud have allowed the bank to lower costs while being able to move faster with development. Unlike many competitors, BankUnited has pursued an all-cloud strategy and no longer needs to own its own

data servers. The migration to the cloud allows for lower costs and the ability to access its cloud provider's tools for data and analytics and dashboards that would not have been possible if the company was not on the cloud. In addition, BankUnited is in the early stages of building a data lab as the bank already has staff that analyzes both internal and external data for the bank and is in the early stages of building the capability to do predictive analytics to be applied to a variety of use cases.

While BKU trading at an inline valuation might not appear cheap, when we compare this valuation to the quality of the franchise, we find BKU shares a bargain. With this company poised to lead the peer median in terms of top line growth over time, we maintain our Overweight rating.

Estimate Revisions

We are increasing our 2021e and 2022e core EPS estimates from \$3.00 to \$3.19 and \$3.42 to \$3.75, respectively. We are also introducing our 2023e core EPS estimate of \$4.46. We note that in our estimates, we assume the forward curve.

Valuation

BKU shares currently trade at 11.6x 2022e EPS, or in line with peers. We are establishing our December 2022 price target of \$55 (as compared to our December 2021 price target of \$43), which assumes shares trade at 12.3x 2023e EPS, or in line with peers. We remain big fans of the management team and the long-term direction of BankUnited, and we continue to expect PTPP income growth to trend well ahead of peers through 2022. We maintain our Overweight rating on BKU shares.

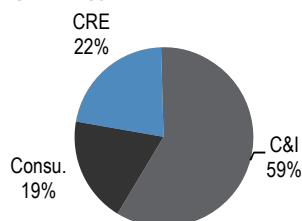
Risks to Rating and Price Target

We believe there are three primary risks to our Overweight rating and price target.

- **Downside: Credit quality.** During 4Q20, BankUnited continued to experience an increase in criticized and classified loans. Amid the pandemic, fitness concepts are coming under added stress due to social distancing, and QSR margins have been under increased stress from rising labor costs and disruption from food delivery services. BankUnited also called out \$3.0B (or 13% of total) of loans in segments that are most sensitive to COVID-19, including in retail CRE/C&I, franchise finance, hotel, airlines, and cruise line. On top of existing industry challenges, with countrywide COVID-19 social distancing leading to strain in most industries, if credit quality shows further signs of deterioration or if additional credit problem arises, shares may underperform peers.
- **Downside: Yield curve.** BankUnited is a traditional yield curve lender given its exposure to real estate lending with fixed rates typically tied to the intermediate portion of the yield curve. With the company guiding for NIM to trend up in 2021, should it experience a lower NIM from lower earning asset yields (particularly in the securities portfolio), shares may underperform.
- **Downside: BankUnited 2.0.** With the announcement of BankUnited 2.0 on the April 2019 earnings call, the company outlined potential cost saves tied to efficiency opportunities, including automating certain processes as well as analyzing the branch network. Moreover, revenue enhancements were outlined as well, including launching new products to complement its existing lineup. Specific financial targets for 2021 against this plan include incremental annual pretax income of \$60mm (\$40mm cost savings and \$20mm revenue lift).

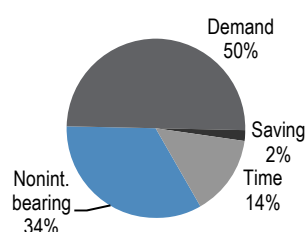
Although BankUnited has already exceeded its initial expense targets, if the company is unable to achieve the revenue opportunities as expected, shares may underperform peers.

Figure 43: CADE Loan Mix



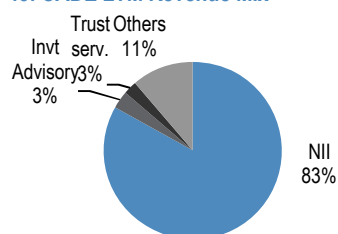
Source: Company reports.

Figure 44: CADE Deposit Mix



Source: Company reports.

Figure 45: CADE LTM Revenue Mix



Source: Company reports.

Table 24: CADE Line Item Estimate vs. Consensus

	JPM	Cons	Diff
Revenue	188	180	5%
NII	155	145	6%
Fee Income	33	34	-2%
Expenses	92	98	-6%
LLP	11	5	NM
Core Net Income	62	58	6%
Avg. Dil. Shares	125,176	125,726	0%
NIM	3.50%	3.37%	0.13%
Efficiency Ratio	48.68%	54.53%	-5.85%

Source: SNL Financial and J.P. Morgan estimates. Note: Consensus is based on SNL mean estimates. Line items may not be comparable.

Cadence 1Q21 Preview (CADE, N)

Table 25: Estimate Comparison versus Consensus

	1Q21E	2021E	2022E
JPM	\$0.49	\$1.94	\$1.92
Cons.	\$0.48	\$1.83	\$1.68
Diff.	\$0.01	\$0.11	\$0.24

Source: Bloomberg Finance L.P. and J.P. Morgan estimates.

Significant First-Quarter Items

- **Items to watch out for during 1Q21 earnings:**
 - Credit quality trends improved once again in 4Q20, as NPAs fell 25% q/q to 0.84% of total assets and criticized loans declined 20% q/q to 6.9% of total loans. We will be on the lookout for how credit quality trends in the coming quarters, particularly in some higher-risk industries (including restaurants).
 - Much of the sequential improvement in credit quality was driven by lower balances of loans in COVID-19-impacted industries, including restaurants, energy, and hospitality, which contributed to a headwind for average loan growth in 4Q20. We will be looking for color on the outlook for loan growth, though it appears the company's days of double-digit loan growth have faded.
- **Incremental updates during 1Q21:**
 - On 2/7, a Bloomberg article noted that Cadence was exploring a possible sale, though a final decision had not been made, and Cadence could choose to remain independent.
- **Quick take on expected fundamental trends in 1Q21:**
 - **Core EPS:** We forecast core EPS of \$0.49, a penny above consensus.
 - **Prior management guidance:** (1) 2021 up low- to mid-single digits (vs. \$378mm, which includes intangible amortization); (2) 1Q21 incentive compensation to decline q/q; (3) 2021 NCOs to decline y/y; (4) \$8.8 million of PPP fees to be recognized in 2021; (5) \$200mm in buyback authorization starting as early as 2021.

Table 26: Selected Financial Projections (in \$ millions, except EPS)

	1Q21E	4Q20	1Q20	Ann. Chg	Y/Y Chg
Core EPS	\$0.49	\$0.55	\$0.10	-40.1%	NM
Net Interest Income	155	157	154	-6.4%	0.6%
Fee Income	33	39	32	-58.3%	4.2%
Expenses	92	100	87	-34.2%	5.3%
PTPP Income	97	96	99	1.4%	-2.4%
Loan Loss Provision	11	3	83	NM	-87.3%
Pre-tax income	80	258	-433	NM	NM
Taxes	18	58	-33	NM	NM
Net Income	62	201	-399	NM	NM
Avg Earning Assets	17,941	17,696	16,268	5.5%	10.3%
Average Loans	12,683	13,238	13,161	-16.8%	-3.6%
Average Deposits	15,317	15,737	14,575	-10.7%	5.1%
Net Interest Margin	3.50%	3.54%	3.80%	-4 bps	-30 bps
Reserve/Loan Ratio	2.75%	2.89%	1.83%	-13 bps	92 bps
TCE/TA	11.09%	10.73%	11.53%	36 bps	-44 bps
ROTE	13.14%	14.89%	3.63%	-174 bps	952 bps

Source: Company reports and J.P. Morgan estimates. Note: Growth rates are linked quarter annualized.

Investment Thesis, Valuation and Risks

Cadence Bancorporation *(Neutral; Price Target: \$23.00)*

While Credit Trends Have Improved, Balance Sheet and PTPP Income Growth Outlook Remains Sluggish; Capital Levers Are Back; Maintain Neutral

While Cadence capped off 2020 in a much better position than it started the year, in terms of credit and capital return, we estimate Cadence's balance sheet and PTPP income growth outlook through 2023 to remain sluggish (and trend below peers in each year). On the positive front, Cadence in 4Q20 noted that criticized loans declined 20% q/q to 6.9% of total loans and NPAs declined 25% q/q to 0.84% of assets and as a result, the company increased its dividend for a second consecutive quarter to \$0.15 per share (but still below prior quarterly dividend of \$0.175 prior to the 2Q20 reduction) and authorized a \$200mm share buyback program. On the flipside, however, loan balances continued to decline with average loans declining at a 12% annualized pace (tied to a reduction in COVID-19 exposures, which are less favorable from a credit perspective), and the outlook for loan growth on the January earnings call was pegged in the 4-7% range (which is below the company's historical guidance of double digit growth). As a result, while credit trends are likely to continue improving, with the focus of many banks increasingly shifting towards top line and PTPP income growth, the outlook for Cadence on these metrics is more sluggish. In fact, we expect PTPP income will likely face a strong headwind in 1H21 with a potential tailwind starting to take shape in 2H21 should a stronger economic recovery play out. Looking beyond 2021, however, even with the recent steepening of the yield curve, we see a net interest income headwind for Cadence in both 2022 and 2023 (-4% and +3%, respectively, vs. peers in the +5-8% range) tied to hedge income rolling off. Putting this all together, while the company's credit outlook has improved from the start of 2020, with our forecast for Cadence's balance sheet and PTPP income growth outlook each trending below peers through 2023, we maintain our Neutral rating.

One of the unique aspects of Cadence's business model is the company's approach to the market, which has historically been through a relationship model that empowers bankers. In fact, the company's motto of "for same-day service, call by 8PM" primarily resolves around its bankers providing a high level of service and responsiveness to clients, whereby bankers are ready to step in and support clients at any time. Cadence also provides customers with multiple ways of interacting with bankers, including not only in person (through branches) but also through interactive ATMs where customers can video chat with live tellers during off-hours to help with financial transactions. As a more tangible example of how Cadence has been able to demonstrate success with this model, with Cadence's client base primarily being businesses (rather than consumers), Cadence has been able to form new and enhance existing commercial relationships even throughout the pandemic due to its high service model. Case in point, as it relates to the PPP program, with many regional banks stepping up to the plate and finding a great deal of success in working with borrowers during this program, Cadence has been no exception to this trend. In fact, Cadence's success with the PPP program has led to the company ranking highly in 1H20 in a nationwide survey by Greenwich of banks' responsiveness to the COVID-19 crisis. Much of this success in the PPP program was attributed to Cadence having the right people in place (in fact, two-thirds of the company's employees) that were able to use Cadence's preexisting technology infrastructure to serve clients.

On top of the company's approach to markets being to offer top notch service, the company also operates in some of the most attractive markets in the US. While the ability to translate its presence in attractive markets into loan growth remains a question mark, it appears that the company could end up in a position to deliver mid-single loan growth (or better) but combined with an approach toward credit that allows shareholders to sleep at night. Although the company has needed to work through a credit challenge, which resulted in its dividend being cut earlier in 2020, this is still a very high quality management team in our view. In fact, on top of CEO Paul Murphy successfully navigating the company through a much challenged 2020, CFO Valerie Toalson deserves some type of CFO award for the brilliant hedge strategy which resulted in a significant boost to capital at the bank, now allowing buybacks to resume. At this stage, however, we remain perfectly comfortable on the sidelines given the balance sheet and PTPP income growth outlook through 2023 trending below peers.

Estimate Revisions

We are increasing our 2021e core EPS estimate from \$1.91 to \$1.94 while decreasing our 2022e core EPS estimate from \$1.98 to \$1.92. We are also introducing our 2023e core EPS estimate of \$2.04. We note that in our estimates, we assume the forward curve.

Valuation

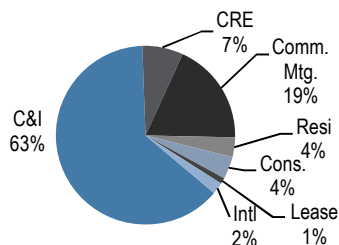
CADE shares currently trade at 10.4x 2022e EPS, or a 12% discount to peers. We are establishing our December 2022 price target of \$23 (as compared to our December 2021 price target of \$21.50), which assumes shares trade at 11.3x 2023e EPS, or at a 7% discount to peers. Given less of a valuation opportunity relative to peers combined with a relatively sluggish PTPP income growth outlook, we maintain our Neutral rating.

Risks to Rating and Price Target

We believe there are three primary risks to our Neutral rating and price target.

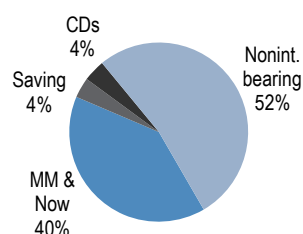
- **Downside: Credit quality.** In 4Q20, criticized loans increased modestly and now exceed \$0.8B (or 7% of total loans) and the NCO ratio remained elevated at 0.64%. Given this, we will be watching for any signs of additional credit issues at Cadence. Should credit quality metrics continue to worsen, the stock price could underperform peers.
- **Downside: Net interest margin.** During 4Q20, Cadence recognized \$169mm in hedge revenue in noninterest income from \$4B collar transaction, which was executed in February 2019 and terminated in March 2020 (with a locked-in gain of \$261mm) as part of the company's efforts to offset the impact of lower interest rates. With Cadence having recognized a meaningful portion of hedge income, from a hedging standpoint the buffer to NIM may be less should rates decline further, which could lead shares to underperform peers.
- **Upside: Loan growth expectations.** With the company intentionally slowing down growth in certain loan categories with perceived elevated credit risk (such as restaurant and energy), loan growth expectations were dialed back, which in prior quarters used to be in the mid-single-digit range. Should the company report loan growth that is in its historical range, shares could outperform peers.

Figure 46: CMA Loan Mix



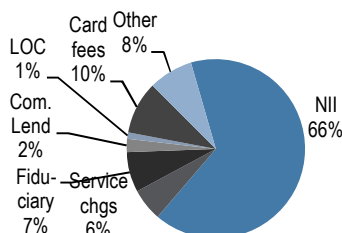
Source: Company reports.

Figure 47: CMA Deposit Mix



Source: Company reports.

Figure 48: CMA LTM Revenue Mix



Source: Company reports.

Table 27: CMA Line Item Estimate vs. Consensus

	JPM	Cons	Diff
Revenue	720	722	0%
NII	470	472	0%
Fee Income	250	248	1%
Expenses	455	450	1%
LLP	42	22	NM
Core Net Income	168	187	-10%
Avg. Dil. Shares	140,159	140,530	0%
NIM	2.38%	2.40%	-0.03%
Efficiency Ratio	63.20%	62.37%	0.83%

Source: SNL Financial and J.P. Morgan estimates. Note: Consensus is based on SNL mean estimates. Line items may not be comparable.

Comerica 1Q21 Preview (CMA, UW)

Table 28: Estimate Comparison versus Consensus

	1Q21E	2021E	2022E
JPM	\$1.20	\$5.03	\$5.41
Cons.	\$1.33	\$5.18	\$4.94
Diff.	(\$0.13)	(\$0.15)	\$0.47

Source: Bloomberg Finance L.P. and J.P. Morgan estimates.

Significant First-Quarter Items

• Items to watch out for during 1Q21 earnings:

- The mid-quarter update showed solid deposit growth in 1QTD through 2/28, with average deposits rising by \$0.5B QTD (+0.7%). However, average loans remained under pressure and declined by \$0.8B QTD (-1.6%), primarily due to lower Mortgage Banker (seasonality and normalization in volumes as long-term rates move higher) and Energy.
- While Comerica noted on the January earnings call that deal flow for loans in December appeared to improve, the mid-quarter update does not appear to show that these positive deal flow trends have translated into actual loan growth so far in 2021. With loan growth appearing very limited across the industry in the early part of 2021, we will look for any color on the outlook for loan growth and the degree to which loan pipelines are starting to fill.
- The recent steepening of the yield curve is unlikely to provide much of a benefit to Comerica, as its loan portfolio is primarily tied to short-term rates (fed funds rate unlikely to move higher before 2023 per the forward curve). As a result, we continue to expect Comerica will face a headwind on net interest income, and we will look for guidance provided on the outlook for NIM and net interest income.

• Incremental updates during 1Q21:

- Presentation slides included an update through 2/28 with: (1) Average loans down \$0.8B in 1Q21 to \$50.6B and (2) Average deposits up \$0.5B to \$70.7B QTD. Click [here](#) for our note with more detail.

• Quick take on expected fundamental trends in 1Q21:

- **Core EPS:** We forecast core EPS of \$1.20, \$0.13 below consensus.
- **Prior management guidance (as of 3/9):** (1) 1Q21 average loan balances at \$50.6B level; (2) 1Q21 average deposit balances at \$70.7B level; (3) 1Q21 Net interest income to be lower; (4) NCOs to trend modestly higher; (5) 2021 GAAP expenses higher y/y; (6) 22% tax rate; and (7) 10% CET1 ratio.

Table 29: Selected Financial Projections (in \$ millions, except EPS)

	1Q21E	4Q20	1Q20	Ann. Chg	Y/Y Chg
Core EPS	\$1.20	\$1.49	-\$0.46	-78.7%	NM
Net Interest Income	470	469	513	1.2%	-8.3%
Fee Income	250	265	238	-23.2%	4.9%
Expenses	455	473	425	-15.1%	7.1%
PTPP Income	265	261	326	6.1%	-18.7%
Loan Loss Provision	42	-17	411	NM	-89.7%
Pre-tax income	223	278	-86	-79.6%	NM
Taxes	49	63	-21	-88.9%	NM
Net Income	168	210	-65	-79.8%	NM
Avg Earning Assets	80,308	79,557	67,496	3.8%	19.0%
Average Loans	51,348	51,405	49,604	-0.4%	3.5%
Average Deposits	71,518	70,243	56,768	7.3%	26.0%
Net Interest Margin	2.38%	2.36%	3.06%	2 bps	-68 bps
Reserve/Loan Ratio	1.78%	1.81%	1.71%	-3 bps	7 bps
TCE/TA	8.43%	8.47%	8.94%	-4 bps	-50 bps
ROTE	9.02%	11.43%	-3.82%	-240 bps	1285 bps

Source: Company reports and J.P. Morgan estimates. Note: Growth rates are linked quarter annualized.

Investment Thesis, Valuation and Risks

Comerica Incorporated (*Underweight; Price Target: \$72.00*)

Growth Outlook Continues to Appear Limited as Mid-Quarter Update Shows a Reversal in Positive Loan Trends; Limited Benefit from Yield Curve Steepening; Stock Remains at Bit Over Its Skis; Maintain Underweight

Comerica noted on its January earnings call that the company saw positive deal flow in the month of December, which appeared to signal an improvement in the outlook for loan growth. However, as part of its mid-quarter update earlier in March, it does not appear that the positive deal flow trends in December have flowed through as actual loan growth so far in 1Q21, with average loan balances declining \$0.8B (or -1.6% q/q) to \$50.6B in 1QTD through February 28. The decline in loan balances so far has been led by Mortgage Banker (tied to seasonality as well as normalizing volumes as long-term rates move higher) as well as Energy. With an absence of loan growth so far in 2021, to get CMA shares moving in the right direction, we believe this will need to come from an improved outlook for short-term rates (and consequently PTPP income growth). To this end, however, with the company being an asset sensitive bank and the Fed being crystal clear that it is not even thinking about raising short-term rates, this historical catalyst for the shares (raising the fed funds rate) is likely to remain on ice for the time being. Moreover, NIM is likely to remain under pressure over the near-term without a likely offset in the form of improved loan growth, with the recent steepening of the yield curve unlikely providing much of a benefit to Comerica's loan portfolio which is primarily tied to short-term rates. Despite a growth outlook that trails peers, CMA shares are now trading at a steep P/E premium vs. peers on 2022e EPS (tied in our view to takeover premium). With a still relatively new CEO at the wheel, however, we see Comerica as a going concern with the catalyst needed to kick-start the shares being either an improved growth and/or ROTE outlook. While we remain fans of the company and the management team, we're not fans of the stock at the current valuation. As a result, we maintain our Underweight rating.

On the 3Q20 earnings call, we asked CEO Curt Farmer to speak to the company's ability to drive PTPP income growth in the current environment. While CEO Farmer provided a thoughtful response to our question, there appears to be nothing new on the horizon in terms of expense or fee income initiatives, which we believe are necessary to revalue the shares. In fact, several of our smaller banks including Umpqua and BankUnited have each announced multi-year initiatives to help work through the challenge of the very low rate environment at hand. Per the commentary on the call, however, it appears that at least at the moment nothing is on the immediate horizon for Comerica. To this end, with NIM pressure expected to moderate at Comerica but remain a headwind as swaps and fixed rate assets reset, without new fee income or expense initiatives to help drive PTPP income, the primary factor to punch through rate headwinds would likely need to come from an improved outlook for balance sheet growth. With that said, however, even though the company points to an attractive footprint, for the many years that we have now covered CMA shares, this has yet to translate into an above-peer growth outlook, with 1Q21 loan balances through February 28 declining sequentially thus far vs. 4Q20 (tied to lower Mortgage Banker and Energy balances).

Moreover, even with all of the technology investments that Comerica has been making over the years, which have been occurring as early as the company's GEAR

Up program approximately four years ago, with these investments yet not resulting in an above-peer client satisfaction score (NPS is 33 vs. coverage peers at 37), efforts have yet to translate into an improved growth outlook. For example, Comerica started adopting cloud technology as part of GEAR Up (with more than 50% of applications now on the cloud) for various purposes including storing data, removing duplicative applications, and offering products by plugging in with APIs. While the cloud journey and projects that use robotics, artificial intelligence, and nCino are still part of the in progress technology journey, Comerica has already completed a handful of technology projects to enhance the internal as well as the customer-facing experience, with many other projects still in the works. Outside of the cloud, Comerica has in the past 12 months brought onboard new talent for positions including Chief Technology Officer, Chief Experience Officer (promoted from within), and Chief Information Officer to help with the journey of leveraging technology to improve the customer experience. Looking ahead, while there are many other technology projects still in the works, the company's recent position fills for multiple roles in areas including technology and customer experience *could* potentially improve customer satisfaction scores. To this end, we stay tuned.

Until the company is able to deliver a level of client satisfaction that bests peers in its local markets, it's likely that growth metrics will continue to trail peers (and despite the company operating in some of the most attractive markets in the country). Case in point, in the company's Midwest market (which represents ~36% of total deposits), the company faces stiff competition in the form of Huntington, which has emerged as offering one of the most customer-friendly product sets in the industry. Not to mention, competition in Texas is very stiff with banks such as Cullen/Frost and Prosperity delivering best-in-class customer satisfaction levels. As a result, California would appear to represent the best opportunity for growth at the company, particularly with Wells Fargo having a well-below peer NPS, but as of yet we've not seen anything needle-moving from Comerica out of California (with loan balances flat over the past year). With the company not appearing to be in a great position from a client satisfaction view to drive well above peer loan growth, this would imply that the key catalyst for CMA shares remains singular: *a lift-off in the fed funds rate*, which would act as rocket fuel for the company's earnings power. With the Fed, however, not even thinking about raising short-term interest rates, this potential catalyst is unlikely to surface anytime soon.

As a result, as we look through 2023, we see PTPP income growth declining in 2021 before trending at a low to mid-single digits pace in both 2022 and 2023, but still below peers in the mid- to high single digits range. Moreover, we see fairly muted TBV growth over the next several quarters/years. Case in point, in 2021, we look for TBV growth at CMA to increase only in the 3.7% range compared to peers expected to see a ~7% increase in TBV. In fact, in 2021 as well as 2022, we see Comerica as positioned to deliver among the lowest growth in TBV in each year across our entire coverage universe. While we're more optimistic overall on the direction of bank stocks this year, given the key catalyst (the fed funds rate) for CMA being on ice, we expect to see the stock more or less stuck at the starting line at the current valuation. As a result, we maintain our Underweight rating.

Estimate Revisions

We are increasing our 2021e and 2022e core EPS estimates from \$4.71 to \$5.03 and \$4.60 to \$5.41, respectively. We are also introducing our 2023e core EPS estimate of \$6.23. We note that in our estimates, we assume the forward curve.

Valuation

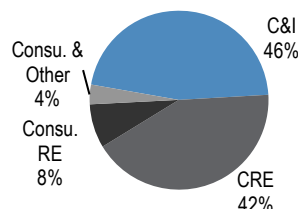
CMA shares currently trade at 12.7x 2022e EPS, or a 7% premium to peers. We are establishing our December 2022 price target of \$72 (as compared to our December 2021 price target of \$56), which assumes shares trade at 11.6x 2023e EPS, or at a 5% discount to peers. Despite the premium to peers on a P/E basis, given our expectations for a material deceleration in EPS growth, we see CMA shares as a value trap rather than value and therefore maintain our Underweight rating.

Risks to Rating and Price Target

We believe there are three primary risks to our Underweight rating and price target.

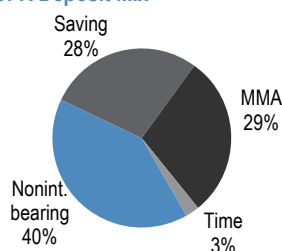
- **Upside: Rate outlook.** With over 70% of the loan book priced off Libor or Prime, CMA is one of the most asset sensitive names in our coverage. With fed funds now at ZIRP and Treasury yields still hovering at historically low levels, if the rate outlook were to trend higher, CMA shares could outperform peers as Comerica will be able to reprice variable rate loans at higher rates.
- **Upside: Credit quality.** About 3.1% of Comerica's loan book is in energy. While the company has reduced the size of its oilfield services book since 1Q16 (which led to higher charge-offs during the oil downturn in that quarter), if Comerica is able to demonstrate good credit quality metrics and few to no credit one-offs, CMA shares could react positively and outperform peers, especially with a backdrop of rising oil prices.
- **Upside: Expense outlook.** Should the company manage to reduce expenses lower than expectations, shares could outperform peers. However, Comerica has already executed its GEAR Up initiative, which has reduced run-rate expenses by over \$200mm since 2016, likely leaving little room for management to trim expenses meaningfully in response to revenue headwinds from a low interest rate environment. However, if the company finds additional efficiency opportunities in its expense base or if prior investments in technology lead to improved, outsized efficiencies, shares could outperform peers.

Figure 49: CFR Loan Mix



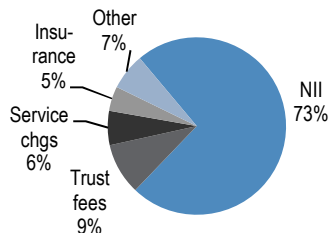
Source: Company reports.

Figure 50: CFR Deposit Mix



Source: Company reports.

Figure 51: CFR LTM Revenue Mix



Source: Company reports.

Table 30: CFR Line Item Estimate vs. Consensus

	JPM	Cons	Diff
Revenue	344	347	-1%
NII	251	253	-1%
Fee Income	92	94	-1%
Expenses	226	220	3%
LLP	10	14	-31%
Core Net Income	75	91	-18%
Avg. Dil. Shares	63,006	63,221	0%
NIM	2.77%	2.81%	-0.04%
Efficiency Ratio	65.80%	63.04%	2.76%

Source: SNL Financial and J.P. Morgan estimates. Note: Consensus is based on SNL mean estimates. Line items may not be comparable.

Cullen/Frost 1Q21 Preview (CFR, UW)

Table 31: Estimate Comparison versus Consensus

	1Q21E	2021E	2022E
JPM	\$1.19	\$5.27	\$5.72
Cons.	\$1.44	\$5.23	\$4.82
Diff.	(\$0.25)	\$0.04	\$0.90

Source: Bloomberg Finance L.P. and J.P. Morgan estimates.

Significant First-Quarter Items

• Items to watch out for during 1Q21 earnings:

- On the January earnings call, Frost announced (for the first time in decades) that it decided to eliminate 68 positions from the company in January to help drive the expense base lower. We will look for any early signs of how this decision could impact retention efforts as well as maintaining the culture at the firm.
- Even with Frost announcing plans to reduce headcount as well as management reducing its salaries and bonuses, Frost's 2021 expense guidance of 4-4.5% is a bit higher than we would have expected (many banks have guided to flat to down expense growth). With the Houston expansion still rolling out and technology costs expected to contribute to the higher y/y expense growth outlook, we will look for any updates to this guidance (particularly with minimal top-line growth), as CFR shares still trade at a steep premium to peers.
- The remaining three Houston branches (total of 25) are expected to open in 1H21, and we will watch for additional commentary on the pace of new openings and how this could impact the expense outlook.

• No incremental updates during 1Q21.

• Quick take on expected fundamental trends in 1Q21:

- **Core EPS:** We forecast core EPS of \$1.19, which is \$0.25 below consensus.
- **Prior management guidance:** (1) 1Q21 NIM down high-single digits q/q (including PPP); (2) 2021 loan growth (ex-PPP) below high-single digits; (3) 2021 GAAP expenses to be 4-4.5% higher y/y; (4) \$39mm in PPP fees to be earned in 2021 with most of it coming in 1H.

Table 32: Selected Financial Projections (in \$ millions, except EPS)

	1Q21E	4Q20	1Q20	Ann. Chg	Y/Y Chg
Core EPS	\$1.19	\$1.47	-\$0.88	-75.9%	NM
Net Interest Income	251	266	268	-22.0%	-6.5%
Fee Income	92	91	98	4.7%	-5.6%
Expenses	226	218	224	15.7%	0.9%
PTPP Income	117	140	142	-63.2%	-17.5%
Loan Loss Provision	10	14	175	NM	-94.4%
Pre-tax income	85	97	58	-48.1%	46.8%
Taxes	9	9	3	-5.5%	156.5%
Net Income	75	88	47	-59.9%	58.9%
Avg Earning Assets	36,746	38,262	30,804	-15.8%	19.3%
Average Loans	16,545	17,945	14,995	-31.2%	10.3%
Average Deposits	33,096	34,129	27,391	-12.1%	20.8%
Net Interest Margin	2.77%	2.82%	3.56%	-5 bps	-79 bps
Reserve/Loan Ratio	1.57%	1.51%	1.72%	6 bps	-16 bps
TCE/TA	8.59%	8.36%	9.47%	23 bps	-87 bps
ROTE	8.62%	10.78%	-7.06%	-216 bps	1568 bps

Source: Company reports and J.P. Morgan estimates. Note: Growth rates are linked quarter annualized.

Investment Thesis, Valuation and Risks

Cullen Frost Bankers Inc. (*Underweight; Price Target: \$105.00*)

Even With a Continued Focus on Expenses, PTPP Growth Likely Trending at or Below Peers Through 2023; the Initiative to Improve Efficiency Walking a Tight Rope; Maintain Underweight

We see a difficult outlook for Frost in 2021 with revenue pressure likely to be even worse than peers. In fact, we view downward pressure on earning asset yields likely to continue through early 2021 and the company having limited remaining room to lower deposit costs. With that said, however, Frost recently rolled out an efficiency improvement plan to help combat the tough revenue environment. In fact, we saw this balancing act play out on the 4Q20 earnings call as the firm noted that it reduced headcount (by 68 staff in January) for the first time in a couple of decades to help manage expenses while still making the appropriate investments for the future. Even with this step taken to reduce staff to improve the expense base, we were just as surprised to hear that 2021 expense growth was pegged in the 4-4.5% range with the Houston expansion and technology costs contributing to the growth rate. With revenue growth expected to be a continued challenge, coupled with expenses continuing to migrate higher, we see Frost facing PTPP income growth headwinds for the foreseeable future and pacing below peers in 2021 before trending at a peer level in 2022 and 2023. As a result, we maintain our Underweight rating.

For the vast majority of banks, which are trading at 12x 2022e EPS and barely growing the top line even in good times, the playbook to make money for shareholders is pretty clear: trim expenses in order to drive some level of PTPP income growth and, eventually, start returning excess capital to shareholders through buybacks. At Cullen/Frost, however, with the stock trading at 18.9x 2022e EPS, or a 60% premium to peers, the expectation for the stock is that Frost can outrun peers over the long run on top-line growth. As a result, for the vast majority of banks that were already struggling to generate top-line growth, and their valuation was reflective of this realization, there is a bit less risk to move forward with an efficiency improvement plan. As a result, the initiative to improve operating efficiency will likely be the equivalent of walking a tight rope given the company not only needing to meet its objective of improving operational efficiency, but it needs to do so while also maintaining the long-term revenue power of the franchise. To this end, we look at companies such as Comerica that underwent a fairly deep cost-cutting plan but then came out the other side with a dramatically reduced capacity for revenue generation.

To this end, it was surprising for us to hear that the company laid off staff in January, which resulted in around \$5mm of severance cost in 4Q20. While severance cost is a key component of many of our more typical banks, for our banks that excel on customer service, such as First Republic and Pinnacle, seeing severance costs is a rare sight. The reason: the achievement of maintaining the service culture of the company while working through an efficiency initiative is not an easy task. While management sent a clear message on the October earnings call to its employees that belt tightening was coming, and that senior management was the first in line by reducing their own salaries as well as bonus potential, should this exercise diminish the revenue potential of the franchise, typically done when expense cuts impact the culture of the organization, there would be material downside for the stock price. In fact, at a peer forward P/E valuation, CFR shares would trade at only \$66, or about

40% less than the current level. While as outsiders it's tough for us to see if the actions to reduce expenses are having an impact on employee satisfaction levels, this is a red flag that bears close monitoring particularly given that Frost has historically been a leader in its markets from a client satisfaction view.

Given the headwind on top-line growth in 2021 alongside PTPP income growth likely remaining a headwind in the coming quarters and only trending at a peer level in 2022 and 2023, with CFR trading at 18.9x 2022e EPS, or a 60% premium to peers, we continue to see unfavorable risk/reward. With expenses expected to pace at an above-peer growth rate in 2021 coupled with difficulty in achieving revenue growth, we maintain our Underweight rating on the stock.

Estimate Revisions

We are increasing our 2021e and 2022e core EPS estimates from \$5.09 to \$5.27 and \$5.15 to \$5.72, respectively. We are also introducing our 2023e core EPS estimate of \$6.26. We note that in our estimates, we assume the forward curve.

Valuation

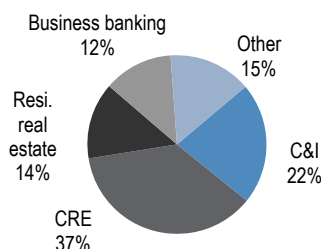
CFR shares currently trade at 18.9x 2022e EPS, or a 60% premium to peers. We are establishing our December 2022 price target of \$72 (as compared to our December 2021 price target of \$56), which assumes shares trade at 16.8x 2023e EPS, or at a 38% premium to peers. Given the steep premium valuation vs. peers and the pace of PTPP income growth expected to trend at or below peers through 2023, we maintain our Underweight rating on CFR shares.

Risks to Rating and Price Target

We believe there are three primary risks to our Underweight rating and price target.

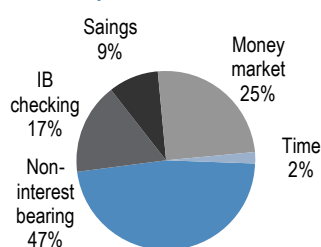
- **Upside: Expense growth.** On the 4Q20 earnings call, Frost pointed to expense growth for 2021 in the 4-4.5% range, which includes the cost of the Houston operations and technology costs. With Frost announcing plans on the October earnings call that it is looking for ways to drive operational efficiencies across the organization, as well as reducing 68 positions across the company in January, the actions beyond reducing management compensation could result in a reduced level of expense growth for 2021, and shares could outperform peers.
- **Upside: Loan competition dynamics.** With Frost citing that 67% of deals were lost due to structural terms in 2020, this has pressured loan growth in the past few quarters. Should CFR see the irrational lending from both banks and non-banks in its markets ease, the outlook for Frost's loan growth outlook could increase, and shares could outperform peers.
- **Upside: Flight to quality.** With shares trading at a sizable premium to peers, we assume the valuation gap narrows as profitability levels are squeezed. With Cullen/Frost having one of the strongest credit track records in the entire industry, including in the energy portfolio where net charge-offs were just 0.24% during the oil downturn of 1Q16 (although surged notably in 1H20), should the "risk-off" trade reemerge as a result of the credit cycle, shares could outperform.

Figure 52: EBC Loan Mix



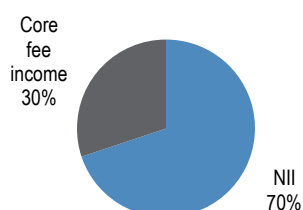
Source: Company reports.

Figure 53: EBC Deposit Mix



Source: Company reports.

Figure 54: EBC LTM Revenue Mix



Source: Company reports.

Table 33: EBC Line Item Estimate vs. Consensus

	JPM	Cons	Diff
Revenue	146	155	-6%
NII	103	104	-1%
Fee Income	42	49	-13%
Expenses	98	101	-3%
LLP	8	5	NM
Core Net Income	29	36	-19%
Avg. Dil. Shares	171,813	175,557	-2%
NIM	2.79%	2.86%	-0.07%
Efficiency Ratio	67.49%	66.23%	1.27%

Source: SNL Financial and J.P. Morgan estimates. Note: Consensus is based on SNL mean estimates. Line items may not be comparable.

Eastern Bank 1Q21 Preview (EBC, N)

Table 34: Estimate Comparison versus Consensus

	1Q21E	2021E	2022E
JPM	\$0.17	\$0.73	\$0.78
Cons.	\$0.20	\$0.70	\$0.77
Diff.	(\$0.03)	\$0.03	\$0.01

Source: Bloomberg Finance L.P. and J.P. Morgan estimates.

Significant First-Quarter Items

• Items to watch out for during 1Q21 earnings:

- After posting a -20 bps q/q decline in NIM in 4Q20, we look for NIM to decline 5 bps q/q in 1Q21, with the company guiding on the 4Q20 earnings call that they would deploy ~\$350mm per month into securities over the very near term. With that said, however, given the surge in 10-year Treasury yields, we look to see how this will impact the trajectory of NIM.
- While the company guided to expect 2021 loan growth (excluding PPP) to be modest during the 4Q20 earnings call, with many banks now pointing to loan pipelines building with increased optimism for loan growth in 2H21, we look for the company's updated thoughts on loan growth outlook for 2021.
- Given the recent rally in bank stocks and the improved outlook for the bank sector, our view is this could potentially drag the timing of a deal while raising the possibility of an initial deal with a longer earn-back period. We look to hear the update on the M&A environment in the company's primary footprint.

• No incremental updates during 1Q21.

• Quick take on expected fundamental trends in 1Q21:

- **Core EPS:** We forecast core EPS of \$0.17, which is \$0.03 below consensus.
- **Loans:** We expect average loans to decline 10.2% annualized.
- **Prior management guidance:** (1) No additional room for reduction in interest-bearing deposit costs; (2) 2021 expenses 2-3% lower than the annualized expense base of \$100-102mm; (3) 2021 tax rate of 22-23%.

Table 35: Selected Financial Projections (in \$ millions, except EPS)

	1Q21E	4Q20	1Q20	Ann. Chg	Y/Y Chg
Core EPS	\$0.17	\$0.18	\$0.07	-28.5%	154.9%
Net Interest Income	103	105	102	-7.0%	1.6%
Fee Income	42	44	40	-14.4%	6.3%
Expenses	98	101	98	-11.1%	0.6%
PTPP Income	47	48	44	-5.1%	8.1%
Loan Loss Provision	8	1	29	NM	-72.7%
Pre-tax income	38	-47	10	NM	NM
Taxes	8	-3	1	NM	NM
Net Income	29	-44	8	NM	NM
Avg Earning Assets	14,990	14,715	10,757	7.5%	39.3%
Average Loans	9,548	9,797	9,016	-10.2%	5.9%
Average Deposits	12,355	12,312	9,665	1.4%	27.8%
Net Interest Margin	2.79%	2.84%	3.80%	-5 bps	-101 bps
Reserve/Loan Ratio	1.21%	1.16%	1.20%	5 bps	1 bps
TCE/TA	19.64%	19.58%	10.74%	6 bps	889 bps
ROTE	3.81%	5.72%	3.64%	-191 bps	16 bps

Source: Company reports and J.P. Morgan estimates. Note: Growth rates are linked quarter annualized.

Investment Thesis, Valuation and Risks

Eastern Bankshares, Inc. *(Neutral; Price Target: \$22.00)*

Positioned as a Long-Term Winner, with Eastern a Pioneer in Small Business Banking Technology and One of the Leaders in Client Satisfaction but We Remain on the Sidelines with M&A Still a Risk; Maintain Neutral

Although \$16 billion asset-sized Eastern Bankshares is on a smaller side compared to most other regional bank peers, after conducting meetings on technology and customer experience for the vast majority of banks in our coverage universe, Eastern stood out as a pioneer in technology, particularly when it comes to the small business banking space. With Eastern specializing in small business lending—in fact, the bank is the top SBA lender in New England—the company has witnessed firsthand that there is a lack of technology in the banking space to serve these small business customers with an opportunity to significantly improve not only this cohort's customer experience but also its banker's experience in serving these customers. In fact, Numerated Growth Technologies, a leading Boston-based fintech that supports real-time small business lending and helps banks to deliver a better customer experience, is a spin-out of Eastern Labs, a technology incubator inside Eastern, which is focused on driving innovation and connecting the bank to the broader fintech ecosystem. Founded in 2014, the origin and foundation of Eastern Labs traces back to Chairman and CEO Bob Rivers, who was determined to drive innovation at the bank and ensure that Eastern is constantly challenging itself so it can continue to thrive for the next 200 years. In fact, Eastern's approach to technology is not focused on building proprietary technology that can only be used internally, but rather, the secret sauce is its ability to plug in many different partners, such as fintechs, and build a culture of innovation to ultimately create a differentiated experience for its customers, primarily through continued experimentation, investment, and partnerships. With business lending a key strategic focus at Eastern, the company actively invests in and partners with a number of cutting-edge fintechs that are focused on enhancing the banking experience for small and medium-sized business owners, such as Numerated Growth Technologies and Monit. Eastern's technology efforts that are focused on improving the customer experience have already translated to its impressive customer satisfaction results, with the company's net promoter score (NPS) of 54 nearing the top of its peers and well above the peer median of 37.

While we are impressed by Eastern's technology strategy focused on reducing friction points (which should position the company to not only survive but also thrive over the longer term in the digital age of banking), deployment of excess capital remains a focal point at Eastern with M&A being a key opportunity (and risk). Through a \$1.8 billion-sized mutual-to-stock conversion deal completed in mid-October, Eastern recently had a significant influx of capital, which boosted its CET1 ratio to ~29% (vs. peers at 10%). With that being said, we view the key to the stock over the near to intermediate term is the deployment of excess capital. With Eastern having used M&A to supplement organic growth in the past (completing seven bank acquisitions since 1997), the company does not hide its ambition to grow into a larger institution via M&A, with acquisitions (for both banks and insurance agencies) representing one of the top capital deployment priorities. In fact, M&A was one of the key reasons Eastern decided to go public in the middle of the pandemic despite the uncertain and challenged macroeconomic backdrop; given the scarcity of attractive franchises available, the company wants to be ready with enough capital to

take advantage of opportunities when they arise. In recent years, prior to conversion, Eastern was often outbid and had to pass up opportunities due to limited capital, as the franchises that were becoming available often exceeded Eastern's typical spend range (of \$100-200mm). With that said, CEO Bob Rivers noted on the 4Q20 earnings call that, with the company now having the capital, it is now looking for acquisitions that are greater in size vs. the past acquisitions the bank had pursued prior to going public (with an average size of these past deals at ~\$1 billion). Post conversion, with Eastern now having a currency, while this allows the company to become a more competitive bidder, we see a few hurdles to clear. While the company is focused on opportunities in its existing or contiguous markets to further strengthen and expand its eastern Massachusetts and southern/coastal New Hampshire footprint, there remain uncertainties around M&A including the availability and timing of attractive deals, as the improved outlook for the bank sector can potentially drag the timing of a deal (the longer it takes, the longer it will drag return metrics) while raising a possibility of an initial deal with a longer earn-back period.

Turning to PTPP income growth potential, given the influx of capital from the conversion now going into low yielding securities, we expect Eastern to face sharper NIM headwinds vs. peers over the very near term. With that being said, during 4Q20, Eastern's NIM compressed -20 bps q/q (vs. peers +2 bps), with a high level of excess liquidity post the deal weighting on the margin. With Eastern likely to continue deploying a portion of its excess capital into securities at low yields over the near to intermediate term, we forecast its NIM to decline further in 1Q21 and remain flattish for the rest of 2021. Turning to expenses, while Eastern is exploring and implementing ways to lower its expense level (with a pension plan transition from a defined benefit plan to cash balance plan in 4Q20 being one example), it appears that the efficiency ratio at Eastern will likely remain more elevated vs. peers through 2022. Combined with modest loan growth (ex-PPP) expectations, we expect PTPP income growth at Eastern to be roughly in line with peers in 2022. Today, EBC shares trade at 1.11x on 2022e TBV, a 17% discount to peers. Similar to most mutual conversions that are overcapitalized, Eastern's earnings profile and profitability metrics will likely be heavily impacted by the rate at which excess capital is deployed. To this end, as is the case for most mutual conversions, it is likely that EBC shares will trade on a TBV multiple until its capital approaches more normal levels. With the new capital from the conversion more than doubling the tangible common equity base of Eastern from ~\$1.3 billion in 3Q20 to ~\$3 billion today, we expect ROTE to remain low in the 4-5% range and lag peers' by a wide margin until the company can leverage the additional capital.

Overall, we view Eastern as a high-quality Boston franchise with strong management at the wheel who has a clear roadmap to pave the company's path to success in the digital age of banking by creating a differentiated customer experience and continuously and smartly investing in technology. Although we remain on the sidelines today given continued uncertainty as it relates to M&A, with Eastern being positioned to drive further market shares and growth via differentiated customer experience, the company is on our shopping list.

Estimate Revisions

We are increasing our 2021e and 2022e core EPS estimates from \$0.65 to \$0.73 and \$0.64 to \$0.78, respectively. We are also introducing our 2023e core EPS estimate of \$0.98. We note that in our estimates, we assume the forward curve.

Valuation

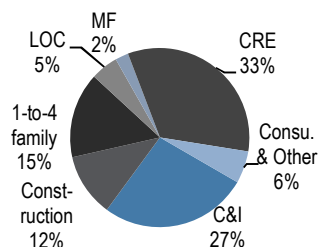
EBC shares currently trade at 1.11x 2022e TBV, or a 17% discount to peers. Similar to most mutual conversions that are overcapitalized, Eastern's earnings profile and profitability metrics will likely be heavily impacted by the rate at which excess capital is deployed. To this end, as is the case for most mutual conversions, it is likely that EBC shares will trade on a TBV multiple until its capital approaches more normal levels. We are establishing our December 2022 price target of \$22 (as compared to our December 2021 price target of \$18.50), which assumes shares trade at 1.28x 2022e TBV, or at a 20% discount to peers.

Risks to Rating and Price Target

We believe there are three primary risks to our Neutral rating and price target.

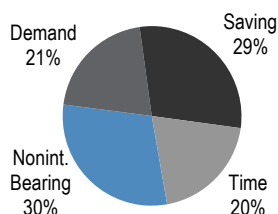
- **Upside/Downside: Deployment of Capital.** Through conversion, Eastern had a significant influx of capital flowing into the bank, which boosted the CET1 ratio to ~29%, which is by far the highest level among our coverage and nearly 3x the peer median of ~10%. With Eastern sitting on a pile of undeployed capital, return on equity will likely remain materially lower than peers' over the near to intermediate term. As Eastern eventually takes actions to deploy capital, such as M&A and/or share buybacks, performance metrics will likely move closer to peer levels over time. Should Eastern fail to execute on a prudent and timely deployment of capital, shares could underperform (and vice versa).
- **Upside/Downside: M&A.** Eastern has a strong interest in pursuing M&A opportunities that will complement its footprint in the existing or contiguous market. Should the company pursue a poorly priced deal with excessive TBV dilution and/or a long earn-back period, shares could underperform peers. However, if future acquisitions are financially and strategically attractive deals and result in higher than expected cost savings or revenue synergies, shares could respond positively over time and outperform peers.
- **Upside/Downside: Asset Sensitivity.** Eastern is an asset sensitive bank driven by its low-cost deposit franchise, which helped support strong NIM expansion in the prior rising rate cycle. With that said, with fed funds rates now close to zero (which will likely persist over the intermediate term), and capital from the raise being deployed into lower yielding securities, we expect NIM compression to persist with pressure likely to be larger than for peers over the near term. If the company experiences NIM pressure that is less/worse than our forecasts, shares could outperform/underperform.

Figure 55: FBK Loan Mix



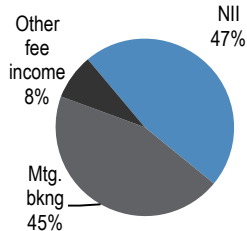
Source: Company reports.

Figure 56: FBK Deposit Mix



Source: Company reports.

Figure 57: FBK LTM Revenue Mix



Source: Company reports.

Table 36: FBK Line Item Estimate vs. Consensus

	JPM	Cons	Diff
Revenue	165	152	8%
NII	86	83	3%
Fee Income	79	69	15%
Expenses	100	97	3%
LLP	6	1	NM
Core Net Income	43	41	5%
Avg. Dil. Shares	47,423	47,789	-1%
NIM	3.31%	3.31%	0.00%
Efficiency Ratio	60.55%	63.32%	-2.76%

Source: SNL Financial and J.P. Morgan estimates. Note: Consensus is based on SNL mean estimates. Line items may not be comparable.

FB Financial 1Q21 Preview (FBK, UW)

Table 37: Estimate Comparison versus Consensus

	1Q21E	2021E	2022E
JPM	\$0.91	\$3.13	\$2.97
Cons.	\$0.88	\$3.14	\$2.76
Diff.	\$0.03	(\$0.01)	\$0.21

Source: Bloomberg Finance L.P. and J.P. Morgan estimates.

Significant First-Quarter Items

- **Items to watch out for during 1Q21 earnings:**
 - 1Q21 mortgage contribution was guided to 70-100% of 4Q20's contribution. With the average 30-year fixed mortgage rate increasing by ~30 bps m/m to 3.24% in March 2021, we will monitor whether this increase materially impacted March mortgage contributions.
 - FB Financial recently authorized a repurchase of up to \$100mm and we will look for the company's appetite to repurchases shares.
- **Incremental updates during 1Q21:**
 - FB Financial announced its board of directors authorized the repurchase of up to \$100mm of the company's outstanding common stock.
 - FB Financial declared a \$0.11 per share quarterly dividend, an increase of \$0.02 from the prior quarter's dividend.
- **Quick take on expected fundamental trends in 1Q21:**
 - **Core EPS:** We forecast core EPS of \$0.91, which is \$0.03 above consensus.
 - **Loans:** We expect average loans to grow 4.1% annualized.
- **Prior management guidance:** (1) Mid- to high single-digit loan growth in 2021; (2) 2021 expenses to grow low to mid-single digit growth off annualized 4Q level; (3) Expect mortgage banking revenue to be similar to 4Q.

Table 38: Selected Financial Projections (in \$ millions, except EPS)

	1Q21E	4Q20	1Q20	Ann. Chg	Y/Y Chg
Core EPS	\$0.91	\$1.14	\$0.09	-79.4%	NM
Net Interest Income	86	86	57	-0.1%	51.6%
Fee Income	79	78	43	3.1%	84.9%
Expenses	100	95	64	20.5%	55.3%
PTPP Income	65	69	35	-24.7%	85.3%
Loan Loss Provision	6	-3	30	NM	-79.3%
Pre-tax income	54	59	1	-32.6%	NM
Taxes	13	13	0	-18.4%	NM
Net Income	41	46	1	-36.7%	NM
Avg Earning Assets	10,550	10,310	5,831	9.3%	80.9%
Average Loans	7,213	7,140	4,495	4.1%	60.5%
Average Deposits	9,309	9,296	5,213	0.5%	78.6%
Net Interest Margin	3.31%	3.32%	3.92%	-1 bps	-61 bps
Reserve/Loan Ratio	2.36%	2.41%	1.95%	-5 bps	41 bps
TCE/TA	9.54%	9.34%	9.11%	20 bps	43 bps
ROTE	17.20%	22.36%	2.69%	-516 bps	1452 bps

Source: Company reports and J.P. Morgan estimates. Note: Growth rates are linked quarter annualized.

Investment Thesis, Valuation and Risks

FB Financial Corporation (*Underweight; Price Target: \$42.00*)

Improving Core Banking Outlook Not Enough to Offset Looming Mortgage Headwind; Maintain Underweight

Along with 4Q20 results, FB Financial provided a positive outlook on 2021 for the core banking segment with mid-to-high single-digit loan growth and improving credit outlook with the bank holding elevated levels of ACL (2.48% of loans ex. PPP). This positive view is tied to an improving economic outlook as the country manages the health crisis and fiscal stimulus is provided. With FBK closing the Franklin merger in 3Q20, the bank is ready to focus on driving organic growth at its core banking business. Switching over to the mortgage segment, this business wrapped a record year boosted by record industry volumes and very high gain on sale margins. However, looking into 2021 and 2022 when gain on sale margin (4.6% vs. the historical 1.4-3.4% range) comes back to earth and mortgage volumes normalize, we see this as a headwind for FBK to drive PTPP income growth. In fact, in 2020 the mortgage segment contributed 42% of PTPP income to the bank and well above the 9% level in 2019. When long-term interest rates pick up, we see this as a headwind for FBK's mortgage business as volumes and margins moderate at a faster pace. Consequently, we maintain our Underweight rating.

Despite 2020 being one of the most challenging years for the US economy, one bright spot has been in the mortgage industry benefitting from low interest rates, which has resulted in strong volumes and margins for the industry. Tied to FB Financial's mortgage business, the bank's PTPP income had an outsized benefit from gain-on-sale income for three consecutive quarters from 2Q20 through 4Q20, while the efficiency ratio of the mortgage business remained at record lows as staff worked from home. On the 4Q20 call, it was noted that 1Q21 is expected to be another strong quarter for mortgage (in the tune of 70-100% of 4Q pretax contributions). Although mortgage banking was historically a very high efficiency ratio business, with the 80%+ range common prior to 2020, with volumes and gain-on-sale margins booming during COVID-19 while expenses increased only modestly in the work from home period, this formerly relatively inefficient business has morphed into a highly efficient business. In fact, contrasted to the business having an efficiency ratio in the 80%+ range in the prior years, the efficiency ratio had declined to the 50-65% range from 2Q20 through 4Q20. While this would typically be a positive development, with mortgage volumes as well as record gain-on-sale margins likely to normalize through 2021 and 2022, with the business eventually reaching the other side of the mountain, it will reach a period where the reduction in revenue coming from the mortgage business is well in excess of the potential reduction in expenses from the business.

In the current environment, the primary driver, in our view, of bank stocks outside of credit is the ability to drive PTPP income in the ultra-low-rate environment. To this end, with NIM pressure expected to remain on tap for most banks, as well as several others also expected to see the contribution from mortgage banking normalize, we see the industry struggling to generate any level of PTPP income growth in 2021 and limited growth in 2022, absent a material lift in longer-term interest rates. Looking at FB Financial, however, given an outsized exposure to mortgage banking, we actually see PTPP income declining notably in 2021 as well as 2022 (or in the 5-6% range

each year). We note that this reduction to PTPP income expected each year is our best estimate at this juncture given that mortgage banking is one of the most volatile and unpredictable earnings streams even for management teams to predict. With that said, however, within our earnings estimates we give the company full credit for an improving outlook for the core banking segment post the merger with Franklin. Even with this full benefit contemplated, it appears that PTPP income will be on a continued decline in 2021 as well as 2022. With capital likely flowing into the handful of banks that have enough levers to pull to drive relatively strong PTPP income growth, it's likely that FBK shares get left at the starting line.

In addition, as longer-term rates potentially creep higher, while this could draw significant capital into regional banks given the likely benefit to NIMs, in FB Financial's case rising longer-term rates could have a strong counter-effect given the potential for rising rates to accelerate the timing for mortgage banking to normalize, placing incremental downward pressure on PTPP income. We see total return potential as trailing peers, and, as a result, we maintain FBK at Underweight. While this remains a management team that we think is taking right steps in growing the community bank model both organically and through M&A for the long term, over the near to intermediate term with shares trading at a 30% premium to peers on 2022e EPS, we see upside potential as lower than peers and thus remain Underweight.

Estimate Revisions

We are increasing our 2021e and 2022e core EPS estimates from \$3.01 to \$3.13 and \$2.52 to \$2.97, respectively. We are also introducing our 2023e core EPS estimate of \$3.25. We note that in our estimates, we assume the forward curve.

Valuation

FBK shares currently trade at 15.0x 2022e EPS, or a 30% premium to peers. We are establishing our December 2022 price target of \$42 (as compared to our December 2021 price target of \$36), which assumes shares trade at 12.9x 2023e EPS, or at a 7% premium to peers. Given the anticipated PTPP income growth headwind combined with the steep premium valuation, we see total return potential as trailing peers. Maintain Underweight.

Risks to Rating and Price Target

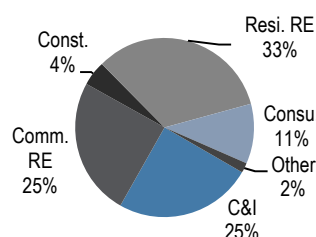
We believe there are three primary risks to our Underweight rating and price target.

- **Upside: Mortgage banking.** With interest rates declining sharply since the start of the pandemic, mortgage banking has been a beneficiary of higher mortgage volumes and limited industry capacity, which boosts margins. In fact, FB Financial's mortgage banking business produced a record 2020, and should mortgage activity remain stronger than expected, this could lead FBK shares to outperform peers.
- **Upside: Mergers & Acquisitions.** M&A continues to be part of the company's long-term strategy of complementing organic growth. FB Financial has been successful in closing acquisitions in recent years that are EPS accretive while being neutral to TBV as seen in the recent Franklin Financial and FNB Financial acquisitions that closed in 2020. If FBK continues to acquire banks with strategic

and financial value with a low TBV earn-back period and EPS accretion, shares may outperform.

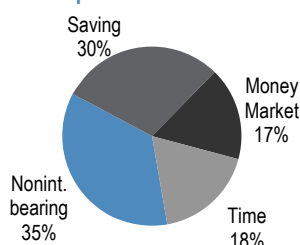
- **Upside: Geographic concentration.** With a large portion of loans in Tennessee, and much of the mortgage banking exposure within the greater Southeast, we see geographic concentration risk to the upside as markets such as Tennessee have fared better than other markets in terms of economic activity and a lower unemployment rate. If the economies of FBK's core markets continue to outperform the national average and generate more lending opportunities, FBK shares may outperform peers.

Figure 58: FHB Loan Mix



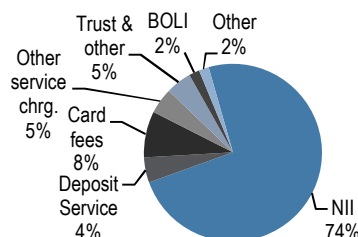
Source: Company reports.

Figure 59: FHB Deposit Mix



Source: Company reports.

Figure 60: FHB LTM Revenue Mix



Source: Company reports.

Table 39: FHB Line Item Estimate vs. Consensus

	JPM	Cons	Diff
Revenue	181	181	0%
NII	130	131	-1%
Fee Income	51	50	2%
Expenses	95	96	-1%
LLP	11	12	-5%
Core Net Income	56	55	2%
Avg. Dil. Shares	129,797	130,368	0%
NIM	2.67%	2.64%	0.03%
Efficiency Ratio	52.69%	53.37%	-0.68%

Source: SNL Financial and J.P. Morgan estimates. Note: Consensus is based on SNL mean estimates. Line items may not be comparable.

First Hawaiian 1Q21 Preview (FHB, UW)

Table 40: Estimate Comparison versus Consensus

	1Q21E	2021E	2022E
JPM	\$0.43	\$1.74	\$1.87
Cons.	\$0.43	\$1.67	\$1.68
Diff.	\$0.00	\$0.07	\$0.19

Source: Bloomberg Finance L.P. and J.P. Morgan estimates.

Significant First-Quarter Items

- Items to watch out for during 1Q21 earnings:**
 - Domestic traffic in Hawaii is ~50% of pre-COVID levels as of late March. As case counts fall and vaccination rates increase, US tourism will likely pick up speed heading into summer/fall months, while international markets should lag. In the baseline forecast by The Economic Research Organization at the University of Hawaii (UHERO), arrivals should recover half their pandemic losses by July and visitor spending should recover nearly 70% of losses by YE2021. Meanwhile, full recovery will likely be several years out. We look for FHB's view on the state's recovery and impact on loan growth and credit.
 - UHERO updated its economic forecasts in March 2021, which have improved vs. December 2020 forecasts, including 2021 unemployment rate (7.1% vs. 10.9% prior), 2021 GDP y/y growth (+3.7% vs. +0.1% prior), and y/y growth in visitor arrivals in 2021 (+82% vs. +65% prior). Looking into 1Q21, while we expect NCOs to tick up q/q, we forecast reserve levels to remain fairly stable q/q.
- Incremental updates during 1Q21:**
 - First Hawaiian announced its board of directors authorized the repurchase of up to \$75mm of the company's outstanding common stock for 2021.
- Quick take on expected fundamental trends in 1Q21:**
 - Core EPS:** We forecast core EPS of \$0.43, in line with consensus.
 - NIM:** We expect NIM to decline 4 bps q/q in 1Q21.
- Prior management guidance:** (1) Low-single-digit loan growth in 2021; (2) 1Q21 NIM to decline 5-8 bps q/q (ex-PPP); (3) 1Q21 securities yields flat to down q/q; (4) \$98-99mm in expenses per quarter with a ramp up in expenses in 2H21; (5) \$14.5mm in PPP fees yet to be recognized; (6) 12% CET1 target.

Table 41: Selected Financial Projections (in \$ millions, except EPS)

	1Q21E	4Q20	1Q20	Ann. Chg	Y/Y Chg
Core EPS	\$0.43	\$0.50	\$0.30	-54.3%	45.8%
Net Interest Income	130	135	139	-15.6%	-6.3%
Fee Income	51	58	49	-52.1%	3.4%
Expenses	95	88	96	32.3%	-1.3%
PTPP Income	86	106	91	-75.8%	-6.4%
Loan Loss Provision	11	20	41	NM	-73.5%
Pre-tax income	75	81	50	-27.4%	49.6%
Taxes	18	19	11	-11.8%	61.7%
Net Income	57	62	39	-32.2%	46.1%
Avg Earning Assets	19,717	19,978	17,814	-5.2%	10.7%
Average Loans	13,123	13,367	13,191	-7.3%	-0.5%
Average Deposits	18,593	19,021	16,543	-9.0%	12.4%
Net Interest Margin	2.67%	2.71%	3.12%	-4 bps	-41 bps
Reserve/Loan Ratio	1.61%	1.57%	1.24%	4 bps	33 bps
TCE/TA	8.37%	8.09%	8.45%	28 bps	-36 bps
ROTE	12.86%	15.01%	9.37%	-216 bps	565 bps

Source: Company reports and J.P. Morgan estimates. Note: Growth rates are linked quarter annualized.

Investment Thesis, Valuation and Risks

First Hawaiian, Inc. (Underweight; Price Target: \$27.50)

While Vaccine Rollout Should Support Modestly Faster Recovery, a Still Long Road Ahead for the Hawaiian Economy to Fully Recover but the Valuation of the Stock Is More than Already There; Maintain Underweight

While vaccine rollouts have increased optimism and should support modestly faster recovery, we still see a long road ahead for the Hawaiian economy to fully recover given the disproportionate impact of the pandemic on the local economy. With that said, while visitor arrival levels have increased year-to-date along with vaccine rollout, at this stage the state is still only seeing visitor arrivals of ~13K people per day (including returning/intended residents and tourists), which remains well below 2019 levels of ~30K, with First Hawaiian indicating that it will be difficult to return to pre-pandemic levels in 2021. Looking into fundamental trends, we estimate PTPP income to decline at a -8% pace in 2021 (peer median: +1%) with growth in 2022 and 2023 modestly lagging peers. While we remain big fans of the technology initiatives that First Hawaiian has pursued in recent years (more on this later) to help improve the overall customer experience and position the company well for the long term, at this stage the ongoing digital journey is still in the early innings with investments not yet appearing to translate into stronger top-line (and PTPP income) growth. With this in mind as well as likely steep pressure on PTPP income in 2021, with FHB shares underperforming YTD (+19% vs. peers +28%) and the stock trading at 14.5x 2022e EPS or a 23% premium to peers, we still see a difficult path ahead for the stock to produce a total return that is in line with our peer banks absent a lift in short term rates (which appears unlikely over the near term).

While we rate the stock at Underweight, this has to do with the total return potential that we forecast for the stock compared to the median for our coverage universe, whereas we do not have a separate “company” type rating to point to. If we did, however, First Hawaiian would rank at the top of the charts in terms of not only operating in great markets over the longer term (given an oligopoly in Hawaii) but also tied to the company operating with a management team that we view as being one of the best in the business. In fact, we believe First Hawaiian punches well above its weight as a \$23B asset bank (tied in part to the company’s prior history of being part of BNP Paribas). To this end, however, while our meetings with management again reinforced our favorable view of the company, when it comes to the stock, the valuation of the shares *remains very stretched in our view*. In fact, in addition to our new forecast for PTPP income for First Hawaiian declining -8% y/y in 2021, the valuation of the shares is also dissimilar from peers with FHB trading at a 23% premium to peers based on 2022e EPS. With the shares already commanding such a steep premium to peers and PTPP income growth expected to remain challenged over the intermediate term, we don’t see the roadmap for FHB shares to achieve total return potential in line with our typical bank through 2022. As a result, although we continue to view the company quite favorably, we continue to rate the shares at Underweight.

With Hawaii being reliant on tourism as a key engine of economic growth, the progress made on the vaccine rollout has allowed for higher activity levels for more businesses including in the hospitality sector in Hawaii. While the vaccine is a key element in eventually restoring tourism back to pre-pandemic levels in Hawaii, there appears to be still a long road ahead, with this view also reconfirmed on the recent

earnings call as well as the University of Hawaii Economic Research Organization (UHERO)'s March 2021 forecast that points to a full recovery still being several years out. To this end, while visitor count trends are improving (now in the 18,000 per person daily range vs. 4,000 range in January), the daily tourist count into Hawaii remains well below pre-pandemic levels at around 32,000 per day in 2019.

While the roadmap toward restoring tourism in Hawaii is becoming clearer, what is also clear at this juncture is that there is still potentially a long road ahead to restore tourism back to pre-pandemic levels. To this end, the company points to an expectation that it will be difficult to reach the pre-pandemic level of tourism (as measured by visitor arrivals) in 2021, while the Hawaii Tourism Industry also expects that visitor arrivals will reach pre-pandemic levels in 2024. Given the relatively long road ahead for business in Hawaii to return back to business as usual, the challenge is that companies and consumers will continue to face a significant financial burden. To this end, unemployment in Hawaii was most recently reported at 9.2% in February 2021 (vs. national average: 6.2%). Moreover, as financially challenged businesses reach the end of their financial ropes, many will unfortunately fail not only in response to limited demand but also given capacity restrictions being imposed on businesses such as restaurants, bars, and attractions/entertainment facilities.

With that said, however, First Hawaiian reported very favorable credit trends in 4Q20, with NCOs and NPAs each at 0.04% of average loans and NPAs, respectively. Even though credit metrics were relatively stable in 4Q20, however, the company remains very clear in its messaging that past dues and net charge-offs have not fully materialized yet. With this in mind, the company slightly boosted its loan loss reserves in 4Q20 to 1.57% of total loans (vs. 1.45% in 3Q20) tied to a judgment-based decision after looking at the higher infection rates in the mainland US (and especially in California) and the slow vaccine rollout. To this end, however, even though the Hawaiian economy has been disproportionately impacted by the pandemic (with 19% of Hawaii's GDP tied to leisure and hospitality), the credit challenge at First Hawaiian at this juncture appears to be limited, tied in large part to an improved prospect for a faster recovery (vs. previously anticipated) given the progress made on vaccine rollout as well as a conservative management team at the company as well as prudent actions to mitigate risk heading into the pandemic (which included actions such as selling SNCs). As a result, despite the ongoing economic uncertainties, we see First Hawaiian as being in a strong position to weather the near-term challenge ahead, particularly given ample reserves as well as an abundance of excess capital (with a CET1 ratio of 12.5% in 4Q20).

Although the primary focus remains the reopening of tourism in Hawaii as it relates to FHB shares, we point to First Hawaiian as now being full steam ahead on a digital journey with a core upgrade, API build-out, and cloud migration in the works. When it comes to the starting point for a digital transformation journey, First Hawaiian was initially somewhat constrained as compared to its mainland peers, largely due to the operating structure the company had been under (with BNP Paribas as a parent) where PTPP income growth and the additional dollar of pretax income was the primary focus at the time. With First Hawaiian now being fully separated from BNP Paribas, however, the company has now embarked on a digital transformation journey, starting with a core system upgrade that is now underway. As part of the core modernization process, First Hawaiian is also building API structures while migrating data to the cloud with this likely to serve as an enabler for the company to

fully control and make smart usage of its data. Recently, First Hawaiian partnered with MX Technologies, a money management and data analytics fintech, to renew its personal financial management platform that is now capable of automatically creating budgets on behalf of customers based on past spending behavior as well as making predictions on future spending by leveraging AI-driven predictive analytics. While First Hawaiian has just made a soft launch of this program, the company saw a 40% increase in sign-ups within just a few weeks post launch even with no advertising done on this product. Although this is still in the early innings, we view First Hawaiian's ongoing digital journey should position the company to have a better insight into customer data as well as the ability to roll out innovative products, allowing the company to further improve customer experience down the road over the longer term.

While we remain comforted on the credit outlook at the company (and see more exciting days ahead along with its digital journey), the market remains one (or two) steps ahead of us given an implied cost of equity of FHB shares today of ~7.0%, which is ~160 bps *below* peers. Typically, we prefer to buy high-quality companies during periods of stress and then go for the ride until better days arrive. In this situation, however, with an implied cost of equity that is already well below peers, the market is already discounting a very favorable credit outcome from First Hawaiian. With the credit story already positively reflected in the valuation, the opportunity for FHB shares could potentially be on the growth side. To this end, however, we see PTPP income growth at the company as likely to remain difficult in both 2021/2022. Even if we look at EPS growth potential, which would include the benefit of buybacks and capital deployment, we see EPS growth at FHB as trailing peers in 2021 as well as in 2022. While the roadmap for the Hawaiian economy to reopen is becoming clearer, with FHB shares commanding such as steep premium valuation, the path for performance of the stock to keep pace with peers remains elusive. As a result, although we view this as a high-quality company being run by a top-notch management team, we maintain our Underweight rating.

Estimate Revisions

We are increasing our 2021e and 2022e core EPS estimates from \$1.68 to \$1.74 and \$1.71 to \$1.87, respectively. We are also introducing our 2023e core EPS estimate of \$2.19. We note that in our estimates, we assume the forward curve.

Valuation

FHB shares currently trade at 14.5x 2022e EPS, or a 23% premium to peers. We are establishing our December 2022 price target of \$27.50 (as compared to our December 2021 price target of \$24.50), which assumes shares trade at 12.5x 2023e EPS, or at a 3% premium to peers. Combining the dual headwinds of a PTPP income growth challenge and the long recovery of tourism in Hawaii to pre-pandemic levels, we see limited total return potential ahead for FHB. We maintain our Underweight rating.

Risks to Rating and Price Target

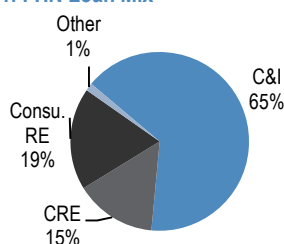
We believe there are three primary risks to our Underweight rating and price target.

- **Upside: Rate outlook.** With the fed funds rates at ZIRP, this should limit the potential increase for earning asset yields on asset sensitive banks like First

Hawaiian. Coupling this with lower yielding PPP loans as well as excess liquidity on the balance sheet, this should place additional pressure on First Hawaiian. However, if the fed funds rate outlook changes in response to macroeconomic factors and yield curve continues to steepen, First Hawaiian shares may outperform.

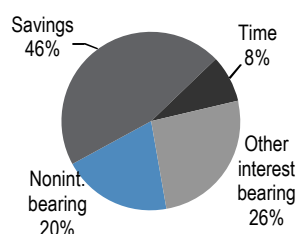
- **Upside: Loan growth.** For 2021, we look for period-end loans (ex-PPP) at First Hawaiian to grow in the low single digits (+2%) range. Should the Hawaiian economy reopen and recover faster than expected, this could lead to the company to return to loans growing at a mid- to high-single-digits pace, and there could be room for shares to outperform peers.
- **Upside: Credit.** While we have historically viewed First Hawaiian as a great late-cycle defensive stock (as can be seen in its credit outperformance during the Global Financial Crisis), this time we expect FHB's overall NCO experience to trend roughly in line with peers through the next cycle, driven by a sharp downturn in tourism in Hawaii. If the company's credit performance fares better than our forecast and peers, shares could outperform.

Figure 61: FHN Loan Mix



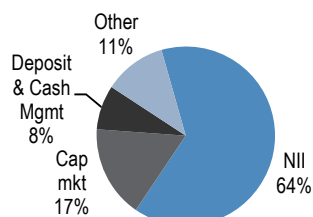
Source: Company reports.

Figure 62: FHN Deposit Mix



Source: Company reports.

Figure 63: FHN LTM Revenue Mix



Source: Company reports.

Table 42: FHN Line Item Estimate vs. Consensus

	JPM	Cons	Diff
Revenue	760	757	0%
NII	506	501	1%
Fee Income	253	254	0%
Expenses	442	474	-7%
LLP	39	20	NM
Core Net Income	190	189	1%
Avg. Dil. Shares	557,000	555,529	0%
Core NIM	2.57%	2.65%	-0.07%
Efficiency Ratio	58.14%	62.16%	-4.02%

Source: SNL Financial and J.P. Morgan estimates. Note: Consensus is based on SNL mean estimates. Line items may not be comparable.

First Horizon 1Q21 Preview (FHN, OW)

Table 43: Estimate Comparison versus Consensus

	1Q21E	2021E	2022E
JPM	\$0.34	\$1.43	\$1.53
Cons.	\$0.38	\$1.50	\$1.52
Diff.	(\$0.04)	(\$0.07)	\$0.01

Source: Bloomberg Finance L.P. and J.P. Morgan estimates.

Significant First-Quarter Items

- Items to watch out for during 1Q21 earnings:**
 - On the January earnings call, First Horizon noted that December 2020 was the company's strongest loan origination month of the year (close to pre-pandemic levels of January/February 2020) as the vaccines have signaled a big shift in customer optimism. With many banks indicating that loan growth could be soft in the early part of 2021, we will look for the degree to which the positive December loan trends have continued through 1Q21.
 - We will be looking for any updates on cost saves and early revenue cross-selling opportunities following the Iberiabank merger, particularly as First Horizon's revenue growth has trailed peers' for much of the past decade (tied to exiting several businesses post-GFC and several acquisition announcements). We note that First Horizon has previously said that total revenue synergies should easily exceed the ~\$30mm of synergies from the Capital Bank deal.
 - At a recent conference, First Horizon noted that while there is no change to its 2021 outlook, the fixed income business may be trending better than expected on the January earnings call (tied to elevated volatility and little new loan demand). We forecast ADR at \$1.3mm in 1Q21 (vs. \$1.5mm in 4Q20), and we will be on the lookout for signs that the fixed income business can sustain ADR at \$1mm+.
- Incremental updates during 1Q21:**
 - During the quarter, we hosted virtual meetings with management and published our takeaways and a Revenue Deep Dive (view report [here](#)).
 - On 1/27, First Horizon announced a new common share repurchase program of \$500mm with an expiration date of 1/31/23.
- Prior management guidance (vs. 4Q20 annualized):** (1) 1Q21 NII to decline mid-single-digit percentage; (2) 2021 average earning assets to be stable to down; (3) 2021 average loans down modestly; (4) Fee income to decline low-teens; (5) Expenses to decline low to mid-single-digit range.

Table 44: Selected Financial Projections (in \$ millions, except EPS)

	1Q21E	4Q20	1Q20	Ann. Chg	Y/Y Chg
Core EPS	\$0.34	\$0.46	\$0.05	NM	NM
Net Interest Income	506	525	305	-14.3%	65.9%
Fee Income	253	278	184	-35.4%	37.5%
Expenses	442	450	301	-7.4%	46.9%
PTPP Income	318	353	189	-39.7%	68.6%
Loan Loss Provision	39	1	154	NM	-74.9%
Pre-tax income	237	301	22	-85.5%	NM
Taxes	55	56	5	-5.4%	NM
Net Income	170	234	12	NM	NM
Avg Earning Assets	77,059	76,995	38,788	0.3%	98.7%
Average Loans	58,541	59,820	30,524	-8.6%	91.8%
Average Deposits	69,225	69,639	32,882	-2.4%	110.5%
Net Interest Margin	2.66%	2.71%	3.16%	-5 bps	-50 bps
Reserve/Loan Ratio	1.68%	1.65%	1.33%	2 bps	34 bps
TCE/TA	7.06%	6.89%	6.81%	17 bps	25 bps
ROTE	13.94%	19.24%	2.58%	-530 bps	1136 bps

Source: Company reports and J.P. Morgan estimates. Note: Growth rates are linked quarter annualized.

Investment Thesis, Valuation and Risks

First Horizon Corp (*Overweight; Price Target: \$21.00*)

Positioned to Outperform on Top-Line with a Low Valuation Bar Set; Revenue Deep Dive; Maintain Overweight

We recently held investor meetings with First Horizon's President & CEO Bryan Jordan (see our takeaways note and Revenue Deep Dive [here](#)). With it now being several months since the Iberiabank MOE closed (in July 2020), many investor questions revolved around the progress achieved thus far on recognizing revenue synergies as part of the now-combined \$84B asset-size company. In fact, this was one of the areas that we were most interested in learning more about as well, particularly with First Horizon's revenue growth over the past decade trending below peers. We note, however, that this was in part due to the company repositioning its business post-GFC under new leadership (which included current CEO Bryan Jordan). While some management teams may have been tempted to more quickly exit the businesses deemed non-strategic rather than slowly wind them down, with First Horizon a more prudent steward of shareholder capital than most, it was viewed that slowly working down several businesses (and several larger loan portfolios) was in the best interest of shareholders. While this was a smart strategic decision, however, it created a large revenue headwind for the company to punch through with the end result being a revenue growth rate (and stock price) that lagged peers. Also weighing on top-line growth potential (as well as its stock price) was the announcement of two deals (Capital Bank in 2017 and Iberiabank in 2019). Beyond the impact that the market, generally speaking, not viewing bank M&A favorably, with management turning its attention toward closing and integrating these deals, it created another revenue headwind. Case in point, on a prior meeting after closing the Capital Bank deal, CEO Bryan Jordan shared with us that as First Horizon worked through integrating Capital Bank (which involved a \$30B asset bank buying a \$10B asset bank), 160,000 calls needed to be made to *existing customers* during the integration. As a result, this was a clear example of how integrating M&A deals can shift the focus towards integration rather than outward-focused organic growth opportunities.

With that said, however, with these dual headwinds now moving behind the company, the messaging we heard from our meetings was that First Horizon can return to showing signs of organic revenue growth (after the Iberiabank deal is fully integrated later in 2021) with a strong tailwind coming from the revenue synergies from the Iberiabank MOE, which will help contribute to growing the company's overall top-line. In fact, should the company demonstrate to the markets the organic growth potential of the franchise, a powerful re-rating could be in store given the long-term ROTE potential of the franchise (in the mid-teens range as provided by the company). The key risk, however, is that another acquisition is announced before proving to the markets the revenue potential of this new franchise. Related to this, we note that at a recent conference, CEO Jordan noted that while M&A is not a core part of the company's strategy, M&A is a viable alternative usage of capital, with the cultural fit the most important element in a transaction and the geographic fit another important factor. With that said, however, with First Horizon now having in hand a franchise that can compete very effectively against larger as well as smaller banks in its markets, for the first time in a decade, the market is able to view in plain sight the organic growth potential of this more focused as well as more efficient franchise now operating in several additional attractive markets, including Texas and Florida.

Combined with a very low valuation bar, which appears to us to be largely tied to a revenue growth view that is in the rearview mirror rather than on the road ahead, we maintain our Overweight rating.

With stocks trading on expectations, it's clear from the valuation of FHN shares that the expectations bar is so low on this stock that someone might trip over it getting out of bed in the morning. In fact, the stock trades at 10.9x 2022e EPS, or an 8% discount to peers, despite being positioned, in our view, to deliver an ROTE in the ~14% range in 2021/2022/2023 (vs. peers at ~13% in each year). As a result, the current valuation of FHN shares implies a 10.0% cost of equity based on 2022 estimates (peers are 8.6%). With the credit and bottom-line EPS growth profiles at First Horizon in our opinion being at or even better than peers in each year, this has created an attractive buying opportunity in the stock. With that said, however, even with the company's 2021 outlook (announced alongside 4Q20 results) signaling a reduced outlook for PTPP income (vs. 4Q20 annualized), the company still has significant room to release reserves given its reserve ratio (ex-PPP) sits at 1.8% (with additional protection provided by the unrecognized discount on Iberiabank's acquired loans) and NCOs are forecasted at only 0.25%-0.35% in 2021. As a result, we continue to view FHN as our most mispriced stock, particularly with the potential for the company to deliver a mid-teens ROTE. Although the next several quarters are likely to remain noisy given the integration of the Iberiabank deal, as the market eventually places more confidence in the earnings and return potential of the new franchise, we see material upside to current levels. Case in point, at a peer cost of equity, FHN shares would be valued ~15% higher.

Although some investors may be frustrated with the performance of FHN shares over the past several years, our advice is to stay the course. In fact, with stocks trading on earnings rather than perceptions over the long run, as the dust settles from the Iberiabank MOE (systems conversion expected in September/October 2021), we see the valuation of the shares starting to reverse course. In fact, as we look at the franchise today, we see one of the top Southeast franchises being run by a very strong management team. Why are we not in the same camp as others that are frustrated on the name? In our view, we give the management team tremendous credit for *playing the long game* at a time when many others would have buckled under the pressure to take short-term actions to appease markets. In our view, this is the fabric that long-term winners in the bank industry are cut from. In fact, following the integration of the Iberiabank MOE and the acquired branches from Truist, we see the new First Horizon as being in prime position to compete with larger regional banks while at the same time providing a service level found at small banks. Additionally, with this deal closing after the health, economic, and energy crises each appearing, we suspect that the credit mark taken on the Iberiabank portfolio upon closing would reflect this incremental risk (particularly in energy). With First Horizon actively expanding its presence across the Southeast through the Iberiabank MOE and the Truist branch acquisition, this should result in improved performance metrics and an elevated organic growth profile.

Additionally, as part of the Iberiabank MOE, First Horizon has been rolling out new accounting, treasury, and mortgage platforms for clients even with the ongoing full Iberiabank MOE systems conversion (scheduled for completion in late 2021), while migrating internal systems (for example, its consumer and small business platform) to the cloud, which will help support the usage of APIs. Moreover, First Horizon's involvement in Canapi and the dozens of quants the company has that are part of the

core technology team are also areas that can help drive new technology investments to offer new products and services.

The bottom line is that we view the new First Horizon as having the potential to become a Southeast regional banking powerhouse with \$84B in combined assets (as of 12/31) and a footprint spanning from Texas to Florida to Virginia. With a strong management team and several high-growth markets being added to the overall footprint, significant organic growth opportunities (and consequently, return potential) lie ahead for the company. While we are clearly bullish on the forward path for First Horizon, importantly for the stock, the market as well as consensus are giving us the gift of a very low bar. In fact, even with FHN now trading at 10.9x 2022e EPS, or an 8% discount to peers, it remains one of our most undervalued stocks relative to the potential earnings power and return potential of the franchise. Given the combination of the company maintaining an above-peer reserve ratio (with the credit mark on the acquired Iberiabank loans acting as another line of defense), several additional growth levers on tap arising from the Iberiabank deal, and a low bar being set by the market, we maintain our Overweight rating on FHN.

Estimate Revisions

We are increasing our 2021e core EPS estimate from \$1.30 to \$1.43 and are decreasing our 2022e core EPS estimate from \$1.61 to \$1.53. We are also introducing our 2023e core EPS estimate of \$1.75. We note that in our estimates, we assume the forward curve.

Valuation

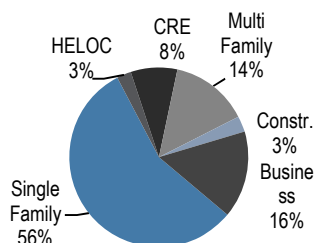
FHN shares currently trade at 10.9x 2022e EPS, or an 8% discount to peers. We are establishing our December 2022 price target of \$21 (as compared to our December 2021 price target of \$18), which assumes shares trade at 16.8x 2023e EPS, or in line with peers. We continue to view First Horizon as having the potential to deliver a mid-teens ROTE over the medium-term. We maintain our Overweight rating on FHN shares.

Risks to Rating and Price Target

We believe there are three primary risks to our Overweight rating and price target.

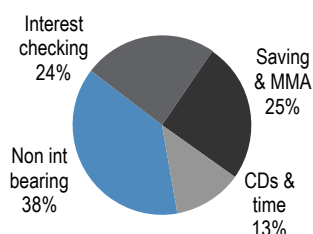
- **Downside: Announcement of a new deal.** A new deal announcement could reset the clock for a return to organic revenue growth, as deals can shift the focus of the company towards integration rather than revenue growth. Should First Horizon announce a new transaction which could limit organic revenue growth potential, FHN shares could underperform peers.
- **Downside: M&A execution.** Should cost saves or potential revenue synergies from the MOE with Iberiabank come in slower than projections or less than initially estimated, shares could underperform peers.
- **Downside: Capital markets revenues.** Over the past few years, capital markets revenue has accounted for around 45% of fee income and around 15% of revenue in any given quarter. We assume the company's ADR migrates toward the ~\$1.3mm range over the next year. Should market conditions (such as higher rates, a flat yield curve, lower volatility, and an improved economic outlook) cause ADR to soften, this could weigh on earnings.

Figure 64: FRC Loan Mix



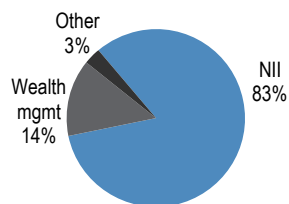
Source: Company reports.

Figure 65: FRC Deposit Mix



Source: Company reports.

Figure 66: FRC LTM Revenue Mix



Source: Company reports.

Table 45: FRC Line Item Estimate vs. Consensus

	JPM	Cons	Diff
Revenue	1,095	1,091	0%
NII	924	922	0%
Fee Income	171	172	-1%
Expenses	677	689	-2%
LLP	28	28	0%
Core Net Income	260	270	-4%
Avg. Dil. Shares	177,171	175,220	1%
NIM	2.72%	2.73%	-0.01%
Efficiency Ratio	63.59%	63.22%	0.37%

Source: SNL Financial and J.P. Morgan estimates. Note: Consensus is based on SNL mean estimates. Line items may not be comparable.

First Republic 1Q21 Preview (FRC, OW)

Table 46: Estimate Comparison versus Consensus

	1Q21E	2021E	2022E
JPM	\$1.47	\$6.21	\$7.41
Cons.	\$1.53	\$6.48	\$7.22
Diff.	(\$0.06)	(\$0.27)	\$0.19

Source: Bloomberg Finance L.P. and J.P. Morgan estimates.

Significant First-Quarter Items

- **Items to watch out for during 1Q21 earnings:**
 - Despite a surge in 10-year and mortgage rates, we expect loan growth to remain strong in 1Q21 and for the rest of 2021, with purchase demand remaining strong.
 - With competition remaining strong in the jumbo market, we expect the benefit from higher rates to loan yields will be limited over the near term at FRC.
- **Incremental updates during 1Q21:**
 - We recently hosted our 7th tour of Silicon Valley. With disruptors in the innovation economy seeing the level of service and relationship as the primary point of differentiation among banking partners, FRC is in the catbird seat to ride the innovation economy wave. From our meetings with real estate professionals in Boston, NYC, LA, and SF, the level of bullishness on the growth opportunities as each market reopens in coming months was very clear (click [here](#) for report).
 - In February, First Republic announced that it is calling for redemption of its \$150mm of 5.5% Series G preferred stock offering and announced \$747.5mm of 4.25% Perpetual Series L preferred stock offering.
 - On 3/25, First Republic announced that it has raised its minimum wage for all employees to \$30/hour effective 3/28, while it's increasing the wages of its employees who currently earn an hourly rate of \$30-36. The company estimates this increase is expected to be ~\$3mm for 2021.
- **Prior management guidance:** For 2021, (1) Loan growth in mid-teens range reiterated; (2) NIM in the 2.65-2.75% range; (3) Efficiency ratio in the 62-64% range; (4) 2021 expense growth in mid-teens range; (5) Revenue to grow in mid-teens range (assume mid-teens loan growth and stable NIM); (6) 2021 tax rate in 20-21% range (assuming no change to corporate tax rate).

Table 47: Selected Financial Projections (in \$ millions, except EPS)

	1Q21E	4Q20	1Q20	Ann. Chg	Y/Y Chg
Core EPS	\$1.47	\$1.60	\$1.20	-32.7%	22.9%
Net Interest Income	924	925	783	-0.4%	18.1%
Fee Income	171	188	161	-36.0%	5.7%
Expenses	677	666	582	6.7%	16.3%
PTPP Income	418	447	362	-25.9%	15.4%
Loan Loss Provision	28	35	62	-79.4%	-54.9%
Pre-tax income	357	379	272	-23.2%	31.4%
Taxes	73	84	53	-50.0%	37.9%
Net Income	260	279	206	-27.6%	26.5%
Avg Earning Assets	137,774	134,423	113,555	10.0%	21.3%
Average Loans	112,971	108,458	92,834	16.6%	21.7%
Average Deposits	114,734	111,840	90,525	10.4%	26.7%
Net Interest Margin	2.72%	2.73%	2.74%	-1 bps	-2 bps
Reserve/Loan Ratio	0.58%	0.56%	0.57%	1 bps	1 bps
TCE/TA	7.41%	7.01%	7.26%	39 bps	14 bps
ROTE	10.17%	11.49%	9.33%	-132 bps	84 bps

Source: Company reports and J.P. Morgan estimates. Note: Growth rates are linked quarter annualized.

Investment Thesis, Valuation and Risks

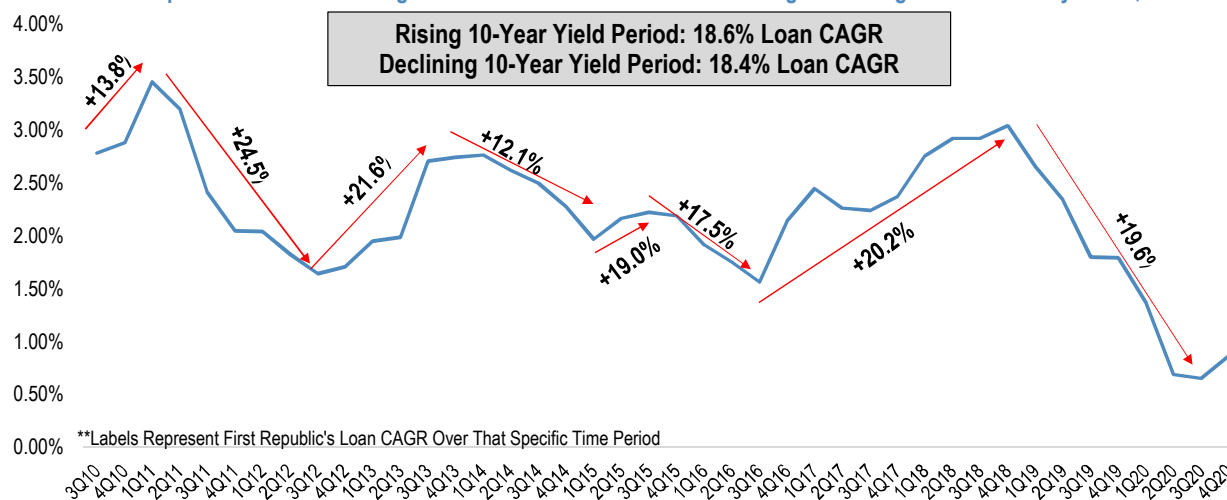
First Republic Bank (*Overweight; Price Target: \$210.00*)

With the Stock Exceeding the Benchmark over the Past Decade, and Likely to Continue Doing So with First Republic Supercharging Employee Capabilities in the Digital Age, Momentum to Persist; Maintain Overweight; TOP IDEA

We recently hosted our 7th tour of Silicon Valley, and the message was clear: Disruptors in the innovation economy see the level of service and relationship as the primary point of differentiation amongst banking partners. With First Republic offering a vast network of connections within the innovation ecosystem combined with best-in-class service levels to establish a level of trust that serves as a basis of lasting relationships while simultaneously leveraging technology to further improve the client experience, the company has created a very wide moat that will be very difficult for other banks to pass and is poised to drive significant additional market share gains from banks of all sizes. Not to mention, from our meetings with many real estate professionals in First Republic's primary market footprints, including Boston, NYC, Los Angeles, and San Francisco, the level of bullishness on the growth opportunities as each of these markets reopens in coming months is clear. This should serve as another tailwind for First Republic in 2021, with the company likely to post strong growth in each of its three businesses (private bank, business bank, and wealth management) at well above peer levels while taking very little risk (either interest rate or credit) to achieve this strong growth. With shareholders also being rewarded on a fairly consistent basis, after a strong 2020, we continue to expect more of the same in 2021 and despite what could be a volatile year for longer-term interest rates. In fact, with the company guiding to expect "mid-teens" loan growth again in 2021, while many in the investor community (as well as the sell-side) might see this as a challenge, based on our analysis even in a rising long-term rate environment, the company appears well positioned to deliver mid-teens growth—or better.

One of the most frequently asked questions from investors recently revolved around the sustainability of First Republic's robust loan growth, especially with a backdrop of long-term rates rising recently (and expected to continue grinding higher). Comparing periods when interest rates (as measured by the 10-year Treasury yield) were rising versus periods when rates were falling, we studied the impact on First Republic's ability to generate loan growth. In total, we found four periods of rising interest rates and four periods of declining interest rates since 2010 (as seen in the following chart). From our analysis, we found that the average loan growth for both periods of rising and falling 10-year Treasury yields were the same at 18% annualized.

Table 48: First Republic Annualized Average Loan Growth vs. Prior Periods of Rising and Falling 10-Year Treasury Yields, 4Q10-4Q20

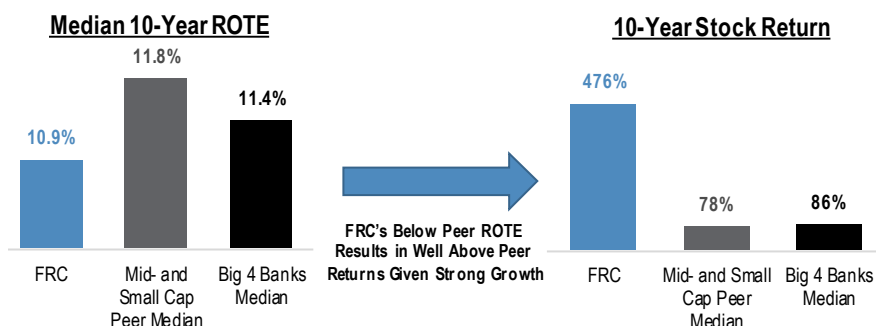


Source: Company reports and Bloomberg Finance L.P. Note: Percentages represent annualized loan growth rate over periods of rising and declining 10-year Treasury yields.

One of the key buffers allowing this type of loan growth in a period of rising rates is that as mortgage rates rise and the pace of refinance volumes slows, the payoffs from the company's own portfolio slow as well. This is a much-underappreciated aspect to the model. Case in point, with loan payoffs running in the 18-19% range, this means that on an \$113B loan portfolio between \$20B and \$21B of the company's own loan portfolio is paying off on an annual basis. Moreover, when contrasted to the typical payoff range (of 11-12%), this means that an incremental \$8B of loans are paying off early. As a result, while the company grew loans by a net \$22B in 2020, this was beyond all of the loans that paid off. As a result, as mortgage rates rise, this current strong headwind to growth will lessen. Not only has First Republic posted consistently strong average loan growth in both periods of falling and rising rates historically, potential tailwinds from the rising rates are (1) that NIM would typically see a tailwind during periods of rising longer-term rates (assuming the curve is steepening) along with (2) bank stocks as a group typically performing much better during periods of rising rates than falling rates. As a result, we continue to see First Republic as a bit of a stock for all seasons with different levers being pulled given the macro backdrop but ultimately leading to key performance drivers remaining very consistent. As a result, for the many investors looking to increase exposure to bank stocks, not only do we maintain our Overweight rating on the stock, but FRC shares remain our top pick.

In addition, we should also mention that for the larger cap investors looking at FRC shares for the first time, it is our advice to not let the below-peer ROTE of the company influence the decision to initiate (or add to) a position in FRC shares. In fact, with the below-peer ROTE tied in part to a heavy pace of investment at the company, we argue that rather than a low ROTE being a detractor of long-term performance of the stock, it is actually one of the key drivers. With a picture being worth a thousand words, we provide the following graphic, which clearly articulates that placing capital in the highest ROTE cohort actually translated into suboptimal returns.

First Republic's 10-Year Median ROTE and Stock Return Performance vs. Peers and Big 4 Banks, Dec 2010-Dec 2020



Source: Bloomberg Finance L.P., SNL Financial, and company reports. Note: Stock return data from FRC's second IPO date to 12/31/20. Median ROTE from 2010-3Q20.

Given that we are bullish on regional banks stocks overall in 2021, investors might be questioning whether or not they should be adding more risk into their portfolio via lower quality names. Even though we share similar thoughts, we maintain FRC as our top pick again in 2021 given that the long-term value creation potential is unmatched compared to peer banks. In fact, if one looks at the chart above, although there were certainly periods where higher risk banks outperformed FRC shares over short periods of time, over the long term none of them could compare. Moreover, with the stock in the above chart doubling every four to five years and, we believe, expected to continue doubling each four to five years, over the next decade the chart above could look very similar. With the company so well positioned at the current juncture to continue with its well-above-peer long-term performance, from a risk/reward view we continue to see it as the best buy in banking today. The good news for investors is that if you missed the past 10-year run in the stock, the next 10 years could remain just as lucrative. For the funds that have not participated in the run over the past 10 years, it was likely due to a belief that while First Republic is a great company, at the current valuation it is not a great stock. We hope our analysis can alter this state of thinking.

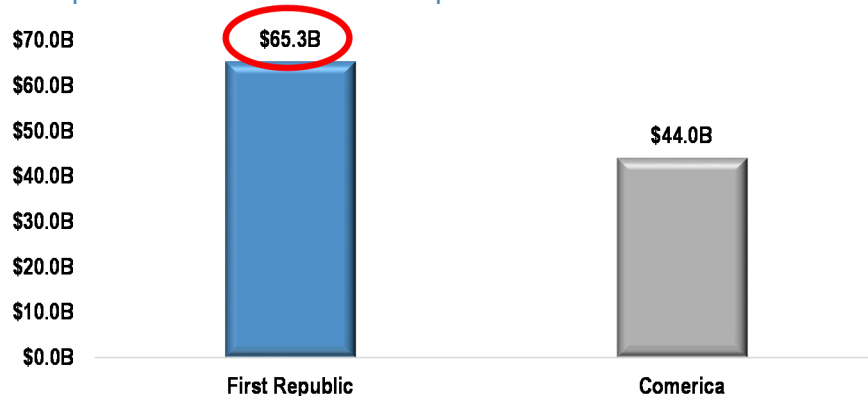
With banking being a mature industry, the playbook to make money in bank stocks for the vast majority of regional banks is to reduce expense levels and return as much capital as possible with the end goal being to boost ROTE. With that said, however, with many investors and analysts applying the same playbook to First Republic as the rest of the industry, things tend to go awry pretty quickly given that (1) First Republic remains in growth mode, which tends to keep upward pressure on expense growth levels and (2) the company also tends to issue common equity every 12-18 months to support strong organic growth. With that said, however, with the company investing heavily for growth, which weighs on ROE, as well as issuing common equity to support strong organic growth, which also weighs on ROE, yet the stock being one of our best performers since the company went public in 2010—there must be other factors contributing to the strong performance of the shares. To this end, we provide a way to think about intrinsic value creation at the company.

Along with 4Q20 reported results, the company reported that its period-end assets had increased by \$26B compared to the prior-year quarter. In other words, the company on a purely organic basis created a \$26B asset bank in 2020. Not only is this level of asset growth larger than the size of First Republic as it exited BofA in 2010, but it's actually larger than eight of the banks that we cover. In terms of stock

potential from here, also consider that First Republic crossed the \$26B threshold in 3Q11. At that time the company had an average market cap of \$4B. As a result, the way we look at the stock here is that on an annual basis the company is now creating the 2011 version of itself every year and by doing so is creating ~\$4B of intrinsic value on an annual basis. With a current market cap of \$29.2B, this would imply a roughly 12% expected increase in the market cap associated with the creation each and every year of a \$26B asset bank. Contrasted to the opportunity to make money in bank stocks on the hope that there are enough expenses to cut and capital to deploy to move the ROTE needle, in our view there is no comparison to the opportunity to add \$4B of intrinsic value each and every year. Moreover, from a simple math point of view, if the company can create a \$4B market cap bank on an organic basis each year, this would support another \$20B of intrinsic value creation over the next five years. In other words, another double.

With the ability of the company to continue creating the 2011 version of itself each year on an organic basis underlying our favorable bias for the stock, the logical question then has to do with the ability of the company to continue producing this level of organic growth. To this end, while Warren Buffett once famously quipped that growth will eventually forge its own anchor, we see three pillars of growth collectively positioning the company to double again in size over the next five years. Keep in mind, for the balance sheet (and stock price) to double again over the next five years would require a growth rate in the ~15% range. Should the current 20% pace continue, which has been the case since 1985 but not in our base forecast, this would imply a doubling in size in around 3.5 years. The formula that we are paying the most attention to to support mid-teens growth over the next several years is the combination of (1) very small market share in its existing markets, (2) that one could drive a truck between the client satisfaction levels of First Republic and that of its banking peers, (3) the wealth management business now is poised to be larger than the bank itself (click [here](#) for more on this view), and (4) that the business bank is somewhat of a hidden asset positioned to keep growing in the 25-30% range (click [here](#) to learn more). Digging deeper into the business bank, one of the primary drivers of deposit growth at First Republic in recent quarters has been business banking deposits, which increased \$4.4B q/q to now total \$65.3B (rate paid of 12 bps) and are now larger than Comerica's \$44B in business deposits. We note that while the business bank at First Republic started in 1999, Comerica's primary business is business banking with the company founded 170 years ago.

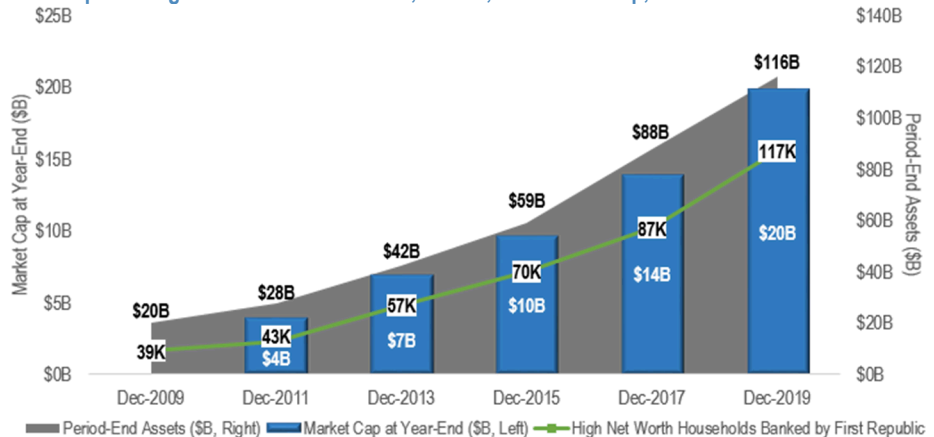
First Republic vs. Comerica Business Bank Deposits



Source: Company reports. Note: First Republic as of 4Q20 and Comerica as of 3Q20.

We also note that although some in the analyst and investor community were concerned that in the digital age of banking customers may ascribe less value to a relationship approach to banking, it's very interesting to observe that over the past two years the company's growth rate of high-net worth households has accelerated. Rather than customers ascribing less value to high-end service it appears that the formula described by President Gaye Erkan of "retail meets luxury meets technology" is resulting in an even faster pace of new client acquisition with the end result being a growing base of happy customers driving solid balance sheet growth, which is serving to continue to propel the market cap of the company. In fact, when the company went public in 2010 it was ranked as the 21st largest bank in the US based on market cap. Today, however, it ranks as the 10th largest bank in the US based on market cap—or an increase of one spot in the rankings per year.

First Republic High-Net Worth Households, Assets, and Market Cap, 2009-2019



Source: Company reports and Bloomberg Finance L.P.

Although many investors acknowledge the superior client satisfaction metrics at First Republic, the perception from many investors is that while the company delivers unmatched service levels to customers it does so *despite* having inferior technology relative to peers. After conducting our deepest dive into the technology approach at the company, however, we can report back to shareholders that, contrary to popular opinion, First Republic is emerging as one of the most *digitally savvy* banks in the US. In fact, with the combination of high touch and high tech, we have a very high degree of confidence that the best years for First Republic remain fully in front of the company rather than in the rearview mirror. In our secret sauce report (click [here](#)), we put forth a view that the key points of differentiation at First Republic were first, unmatched treatment of employees, which leads to unmatched treatment of customers. To this end, we see the company using technology *now to supercharge the capabilities of its employees*.

Digging deeper, we can comfortably point to First Republic as an epitome of using technology to enhance—not replace—relationships by empowering employees to scale its service model. With that said, First Republic is heavily invested in technology as well as quantitative capabilities to drive an unmatched internal banker experience as well as client experience by providing a myriad of tools to (1) allow the banker to spend more quality time with clients and (2) provide unique (and proprietary) service features to its high-net-worth cohorts. One example of First Republic's use of technology to empower employees is Quant for Banker, which is a personalized analytics concierge that leverages the expertise of quants that are

partnered with the bankers. Quant for Banker uses data analytics and AI technology to help First Republic bankers be more efficient, prospect new clients, and deepen client relationships. For example, for the capital call lending business, quants have created a dashboard that helps bankers monitor capital call line activity from clients and alerts bankers ahead of time if a capital line is being drawn on repeatedly, which could signal that additional funding may be needed. Turning to the latter point, a couple of examples that illustrate how First Republic uses technology to offer unique service features to its high-net-worth clients are (1) a “contact team” button where clients can simply tap the gold icon on their mobile phone to reach their personal bankers live as well as (2) a “stealth view” that allows for a mobile banking interface with privacy controls to fulfill the unique needs of First Republic clients who tend to travel a lot and are highly sensitive around privacy. First Republic also partners with over 100 fintechs in multiple areas including payments, data management, account aggregation, fraud, and risk management, which helps to improve its customers’ digital experience as well as the bank’s efficiency. With that said, after having deep conversations with President Gaye Erkan and her team on the company’s strategy and philosophy around technology, we firmly believe that the company’s moat is poised to *widen further* in the years ahead. In addition, with President Gaye Erkan having spearheaded the bank’s technology and execution for the past three to four years in a way that mirrors the bank’s overall business model that reinforces and enhances its high-service culture, we also have more conviction that First Republic is positioned to gain significant additional market share in the years ahead (which is still modest at just 5%), which should lead the company to continue to grow at a pace that is multiples of peers.

Putting the pieces together, between the enormous opportunity for the private bank, business bank, and wealth management business to each continue not only growing with existing clients but to simultaneously grow market share, there is no doubt in our mind that First Republic remains the best buy in banking today. Created by founder and CEO Jim Herbert, at the core of the company is a culture that delivers unmatched treatment of employees as well as customers. As the company has expanded over time into newer verticals such as business banking and wealth management, the value proposition from the company remains unchanged. In fact, many years ago as we were nudging the company to provide more financial disclosures on the business bank, founder and CEO Jim Herbert quipped to us that unlike most banks, which are siloed and have distinct divisions, he did not see divisions within First Republic but rather only saw the company’s employees serving other people, almost agnostic to whether the needs of the person was for an individual that needed a home mortgage or a CFO that needed help with a wire or a wealth management client that needed help investing proceeds from the recent sale of a business or a non-profit that needed help with earning more return on their fundraising proceeds. The nuance of this important distinction is that while we, as outsiders, view three key pillars of growth over the next several years, there is really only one pillar: happy employees delivering unmatched service to their delighted customers. So long as this remains consistent, evidenced by a net promoter score that remains double the bank industry, our vision for the asset size (as well as stock price) to double over the next five years appears quite achievable. As a result, we maintain our Overweight rating with FRC shares our top pick.

Estimate Revisions

We are decreasing our 2021e core EPS estimate from \$6.32 to \$6.21 while increasing our 2022e core EPS estimate from \$7.13 to \$7.41. We are also introducing our 2023e

core EPS estimate of \$9.41. We note that in our estimates, we assume the forward curve.

Valuation

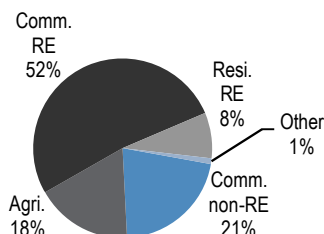
FRC shares trade at 22.4x 2022e EPS or a 15% discount to the Russell 1000 Growth Index. With there being no single regional bank that is a good comp for FRC, we actually see the Russell 1000 Growth Index (i.e., high-growth companies) as a better comp. With that said, for valuing purposes, we primarily look at FRC's P/E valuation relative to the Russell 1000 Growth Index and arrive at our price target based on this methodology. To this end, we are establishing our December 2022 price target of \$210 (as compared to our December 2021 price target of \$180), which assumes shares trade at 22.3x our 2023e EPS or a 5% discount to the Russell 1000 Growth Index.

Risks to Rating and Price Target

We believe there are four primary risks to our Overweight rating and price target.

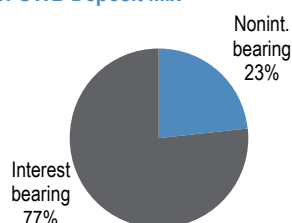
- **Downside: Asset growth.** With FRC stock being nearly perfectly correlated to the size of the balance sheet, we see FRC's assets doubling over the next five years (with three pillars of growth helping to sustain at least 15% growth over the next five years to reach \$250B) and the stock price following suit. If First Republic is unable to pull balance sheet growth of 15%+ and top-line growth slows down materially, P/E multiples on FRC shares are likely to contract and shares could underperform peers.
- **Downside: Expense.** As we look at former growth companies in other industries, we find these companies' stocks traded at premium valuations when they were in expansion mode. Once these companies, however, started to see signs of a slowdown in top-line growth, the focus from management teams shifted away from top-line growth and toward either cutting costs or a need to increase pricing to boost profitability, with the bigger money at that point having been made and P/E multiples also contracting. With top-line growth being the primary driver of FRC shares, if FRC shifts into "efficiency improvement mode" such as announcing big expense cuts (at the expense of sacrificing long-term growth or service), this could be an indication that FRC may have reached the latter innings of its growth cycle and shares could underperform peers.
- **Downside: Net interest margin.** With First Republic being a traditional yield curve lender, if the company's NIM trends lower than our forecast or should the yield curve flatten or invert, shares could underperform peers.
- **Downside: Credit quality.** First Republic has historically maintained pristine credit quality with peak net charge-offs in the previous crisis at 0.48% of average loans versus peers at 1.67%. Looking forward, we expect FRC to maintain credit quality that is much stronger than that of peers. However, should the company see a significant deterioration in credit trends, shares could underperform peers.

Figure 67: GWB Loan Mix



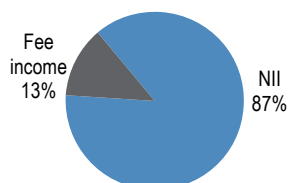
Source: Company reports.

Figure 68: GWB Deposit Mix



Source: Company reports.

Figure 69: GWB LTM Revenue Mix



Source: Company reports.

Table 49: GWB Line Item Estimate vs. Consensus

	JPM	Cons	Diff
Revenue	119	118	1%
NII	102	103	-2%
Fee Income	17	15	16%
Expenses	64	62	2%
LLP	8	14	-41%
Core Net Income	34	31	9%
Avg. Dil. Shares	55,247	55,237	0%
Reported NIM	3.43%	3.53%	-0.10%
Efficiency Ratio	53.84%	53.05%	0.79%

Source: SNL Financial and J.P. Morgan estimates. Note: Consensus is based on SNL mean estimates. Line items may not be comparable.

Great Western CY1Q Preview (GWB, N)

Table 50: Estimate Comparison versus Consensus

	1Q21E	2021E	2022E
JPM	\$0.62	\$2.68	\$2.93
Cons.	\$0.59	\$2.28	NA
Diff.	\$0.03	\$0.40	NA

Source: Bloomberg Finance L.P. and J.P. Morgan estimates. Note: Yearly EPS are calendar years.

Significant CY First-Quarter Items

• Items to watch out for during CY1Q21 earnings:

- We look for NIM to decline 20 bps q/q, with CY4Q20 including the +12 bps of impact of nonaccrual loan recoveries (which is unlikely to repeat).
- We expect to see nonperforming trends stabilizing to improving modestly in CY1Q21, while loan growth will likely remain challenged given paydowns and the firm prioritizing asset quality improvement over loan growth.
- Within our coverage universe, Great Western has the highest exposure to hotels (comprising 9% of total loans in CY4Q20). With 7% of its hotel loans on deferral and representing nearly 60% of the company's total loans on deferral (as provided on the CY4Q20 earnings call), we look for the update around hotel deferrals and how its borrowers in the hotel sector are faring.

• No incremental updates during CY1Q21.

• Quick take on expected fundamental trends in CY1Q21:

- **Core EPS:** We forecast core EPS of \$0.62, \$0.03 above consensus.
- **Loan growth:** We expect average loans to decline 4.6% annualized.
- **Prior management guidance:** (1) Expenses in \$62-64mm level per quarter; (2) NIM to decline in the near-term; (3) Elevated level of liquidity for next couple of quarter.

Table 51: Selected Financial Projections (in \$ millions, except EPS)

	CY1Q21E	CY4Q20	CY1Q20	Ann. Chg	Y/Y Chg
Core EPS	\$0.62	\$0.74	-\$0.49	-66.4%	NM
Net Interest Income	102	110	103	-29.0%	-1.9%
Fee Income	17	18	15	-12.8%	19.9%
Expenses	64	57	66	42.5%	-3.8%
PTPP Income	55	70	52	-83.5%	6.7%
Loan Loss Provision	8	12	72	NM	-88.2%
Pre-tax income	45	53	-778	-61.9%	NM
Taxes	10	11	-38	-40.2%	NM
Net Income	34	41	-741	-68.0%	NM
Avg Earning Assets	12,020	11,966	11,590	1.8%	3.7%
Average Loans	9,458	9,568	9,547	-4.6%	-0.9%
Average Deposits	10,962	11,129	10,103	-6.0%	8.5%
Net Interest Margin	3.43%	3.63%	3.59%	-20 bps	-16 bps
Reserve/Loan Ratio	3.24%	3.24%	1.40%	0 bps	184 bps
TCE/TA	8.62%	8.30%	9.26%	32 bps	-64 bps
ROTE	12.71%	14.83%	-9.53%	-212 bps	2224 bps

Source: Company reports and J.P. Morgan estimates. Note: Growth rates are linked quarter annualized.

Investment Thesis, Valuation and Risks

Great Western Bancorp, Inc. (Neutral; Price Target: \$34.00)

Elevated Credit Concerns Likely to Subside with Improved Credit Outlook; Current Discount Valuation Appropriately Capturing Potential Downside Risk; Maintain Neutral

We upgraded shares of GWB from Neutral to Underweight in January 2021 along with CY4Q20 earnings. The key driver of our upgrade was that at the current juncture, with additional stimulus passed along with positive vaccine development, it appears to us that this cycle could amount to empty calories and we think the elevated credit concerns on GWB shares driven in part to its outsized hotel exposure (or the overhang on shares for that matter) should subside over time. Not to mention, results from the CY4Q20 earnings further demonstrated to us that the company now has likely reached an inflection point from a credit point of view.

After reporting a few quarters of credit deterioration (leading to the stock's underperformance), along with CY4Q20 results Great Western reported an improvement in underlying asset quality metrics, including nonaccruals declining 10% q/q (to 3.07% of loans) and classified loans declining 7% q/q led by a few upgrades in ag. relationships and paydowns. Although net charge-offs doubled q/q, over 80% of the quarter's NCOs came from the \$26mm charge-offs related to the 12% discount on the \$209mm of distressed hotel loan sales in the quarter. The sale resulted in the 20% reduction in Great Western's exposure to hotel loans, contributing to a further improvement in the overall risk profile of the company. Although Great Western is still in the process of credit workout, combined with elevated credit risk being largely concentrated in hospitality (with GWB's hotel concentration still remaining relatively high at 8.6% of loans even after the sale), on an overall basis we view that Great Western has likely hit an inflection point on credit with the direction of its overall nonaccrual loans more likely to trend downward from here, led by improving asset quality for the ag. portfolio as well as the more favorable outlook for the hospitality sector. In addition, with Great Western now sitting on an ample amount of reserves (with the reserve/loan ratio at 3.5% ex. PPP), as the company continues to make strides in working out problem credits along with the improved economic outlook also potentially accelerating the timing of upgrades and/or the pace of lowering nonaccrual loans, we see more room for the company to lower its reserve levels further down the road.

With investors' focus largely having shifted from credit to PTPP income growth potential, we forecast GWB's PTPP income to trend largely in line with peers through 2023. We expect that loan growth is likely to remain challenged over the near term, given relatively muted commercial loan demand coupled with the company continuing to deleverage its problem credits in workout. Combined with the trajectory of core NIM in a flattish to modestly upward pattern through 2023, we expect that net interest income will likely be under modest pressure in 2021 before rebounding in 2022/2023. Meanwhile, on the expense front, we expect the company to maintain its expense discipline with the quarterly expense run-rate trending in the \$62-64mm range. With GWB shares trading at a 15% discount to peers on CY2022e EPS, when combined with an in-line PTPP income growth potential, we view the current discount valuation as appropriately capturing any potential downside risk from credit. As a result, we maintain our Neutral rating on shares of GWB.

Estimate Revisions

We are increasing our CY2021e and CY2022e core EPS estimates from \$2.60 to \$2.68 and \$2.73 to \$2.93, respectively. We are also introducing our CY2023e core EPS estimate of \$3.31. We note that in our estimates, we assume the forward curve.

Valuation

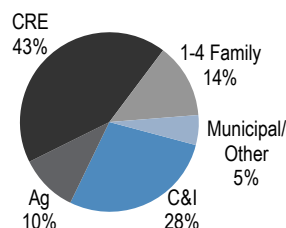
GWB shares currently trade at 10.1x 2022e EPS, or a 15% discount to peers. We are establishing our December 2022 price target of \$34 (as compared to our December 2021 price target of \$26), which assumes shares trade at 10.3x 2023e EPS, or at a 15% discount to peers. With the credit outlook having improved for the industry as well as for GWB, although its risk profile remains more elevated vs. peers, we view that the current discount valuation appropriately captures the downside risk.

Risks to Rating and Price Target

We believe there are three primary risks to our Neutral rating and price target.

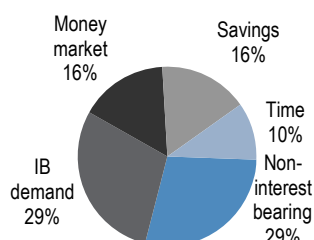
- **Upside/Downside: Credit.** Our view is that the company has likely hit an inflection point on credit with the direction of its overall nonaccrual loans more likely to trend downward from here, led by improving asset quality for the ag. portfolio as well as the more favorable outlook for the hospitality sector. Should credit trend more favorably/unfavorably vs. our forecast or peers, this could result in shares outperforming/underperforming.
- **Upside: Loan growth.** With the company focused on improving asset quality metrics, we look for Great Western's loan growth to remain muted over the near term. If the company's loan growth exceeds our forecast, this could result in shares outperforming.
- **Upside/Downside: Net Interest margin.** With the company largely operating a spread business, should net interest margin come in higher/lower than our forecast (i.e. declining to flattish pattern), this will likely have an outsized impact on performance and could result in shares outperforming/underperforming.

Figure 70: HBT Loan Mix



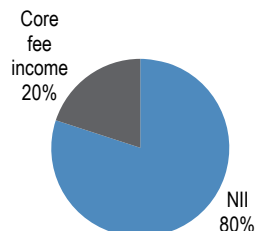
Source: Company reports.

Figure 71: HBT Deposit Mix



Source: Company reports.

Figure 72: HBT LTM Revenue Mix



Source: Company reports.

Table 52: HBT Line Item Estimate vs. Consensus

	JPM	Cons	Diff
Revenue	39	39	0%
NII	29	30	-2%
Fee Income	10	9	9%
Expenses	22	23	-4%
LLP	2	1	NM
Core Net Income	11	11	-5%
Avg. Dil. Shares	27,225	27,375	-1%
Reported NIM	3.33%	3.46%	-0.13%
Efficiency Ratio	56.44%	58.65%	-2.21%

Source: SNL Financial and J.P. Morgan estimates. Note: Consensus is based on SNL mean estimates. Line items may not be comparable.

HBT Financial 1Q21 Preview (HBT, N)

Table 53: Estimate Comparison versus Consensus

	1Q21E	2021E	2022E
JPM	\$0.39	\$1.62	\$1.82
Cons.	\$0.40	\$1.49	\$1.45
Diff.	(\$0.01)	\$0.13	\$0.37

Source: Bloomberg Finance L.P. and J.P. Morgan estimates.

Significant First-Quarter Items

• Items to watch out for during 1Q21 earnings:

- Heartland is an asset-sensitive bank, and NIM pressure is expected to continue in 1Q21, although at a more moderate pace than the 9 bps sequential decline that was reported in 4Q20. We will be looking for the degree of continued NIM pressure even with the backdrop of recent steepening of the yield curve unlikely to provide much a benefit to NIM at this stage.
- Near-term loan growth is expected to trend in a flat pattern given little new loan demand. However, loan growth could rebound in 2H21, and we will look for any signs of loan pipelines filling at this stage which could provide a tailwind for loan growth in the back half of the year.

• No incremental updates during 1Q21.

• Quick take on expected fundamental trends in 1Q21:

- **Core EPS:** We forecast core EPS of \$0.39, a penny below consensus.
- **Loans:** We expect average loans to decline at a 9.4% annualized pace.
- No prior management guidance.

Table 54: Selected Financial Projections (in \$ millions, except EPS)

	1Q21E	4Q20	1Q20	Ann. Chg	Y/Y Chg
Core EPS	\$0.39	\$0.45	\$0.31	-55.3%	25.5%
Net Interest Income	29	30	31	-7.5%	-6.5%
Fee Income	10	11	7	-30.7%	32.4%
Expenses	22	22	22	-6.6%	-0.7%
PTPP Income	17	18	16	-22.5%	3.3%
Loan Loss Provision	2	0	4	NM	-57.0%
Pre-tax income	14	17	8	-66.2%	73.5%
Taxes	4	5	2	-65.4%	86.1%
Net Income	11	13	6	-66.5%	69.4%
Avg Earn Assets	3,540	3,508	3,063	3.6%	15.6%
Average Loans	2,242	2,296	2,141	-9.4%	4.7%
Average Deposits	3,033	3,104	2,723	-9.1%	11.4%
Net Interest Margin	3.33%	3.36%	4.09%	-3 bps	-76 bps
Reserve/Loan Ratio	1.45%	1.42%	1.22%	3 bps	23 bps
TCE/TA	9.54%	9.27%	9.81%	27 bps	-27 bps
ROTE	12.69%	15.09%	11.27%	-239 bps	143 bps

Source: Company reports and J.P. Morgan estimates. Note: Growth rates are linked quarter annualized.

Investment Thesis, Valuation and Risks

HBT Financial, Inc. (Neutral; Price Target: \$19.00)

Combining Little New Loan Demand in 1H21 With the Low Rate Environment, PTPP Income Growth Trending at a Peer Level; Maintain Neutral

While Heartland wrapped 2020 with ~6% annualized growth in average loans (ex-PPP) in 4Q20, as we look to the next couple of quarters, it's unlikely that a similar pace of loan growth can be sustained, given very little new loan demand from Heartland's borrowers. In fact, with average loans (ex-PPP) declining by ~3% on a full year basis in 2020, the loan portfolio (ex-PPP) should remain relatively flat in the first half of 2021 before showing any signs of growth potentially in the back half of the year. With NIM pressure expected over the near-term (albeit at a more moderate pace vs. the past few quarters) as well as Heartland being an asset sensitive bank, it will likely be a challenge for the company to report any meaningful revenue growth this year especially with gain on sale of mortgage revenue declining after an elevated 2020. Putting this all together, we expect PTPP income growth potential at Heartland to trend at a peer level through 2023. While Heartland's recent slide deck did note that the company is looking at the branch network for potential rationalizations, this lever, along with the capital lever getting pulled (Heartland's CET1 ratio is at 13.1% as of 4Q20), could contribute to upside in our estimates. For now, however, with shares trading at 9.3x 2022e EPS (or a 22% discount to peers), we remain comfortable on the sidelines and maintain our Neutral rating.

We recently hosted investor meetings with HBT Financial's President and Chief Operating Officer, Lance Carter, and CFO, Matt Doherty (see our takeaways note [here](#)). Although Heartland has a history of low credit losses and credit metrics have been favorable since both debuting as a public company more than a year ago as well as in the past few quarters during the ongoing COVID-19 pandemic, many investor questions during our recent meetings were nonetheless focused on the potential credit impacts to Heartland's loan portfolio. For Heartland, however, credit quality has been manageable thus far throughout the pandemic. While credit has been manageable, however, it's likely that PTPP income and EPS growth will continue to be difficult to achieve in the coming quarters given a dual headwind of (1) continued (although moderating) NIM pressure and (2) limited loan growth given very little new loan demand among Heartland's borrowers. Although average loans (ex-PPP) rose at a ~6% annualized pace in 4Q20, balances are expected to trend in a flat pattern in the early part of 2021 until there are signs of a rebound in the economy, which could lead to new loan demand among borrowers. When we layer in the headwind from loan growth with continued (but moderating) pressure on NIM (which declined -9 bps q/q and -83 bps y/y in 4Q20) as well as a lower level of gain on sale of mortgage revenue (vs. an elevated 2H20), we expect Heartland's PTPP income growth through 2023 to trend at a peer level in each year. While we remain big fans of Heartland's management team, with PTPP income growth likely in line peers in the next several quarters and years and HBT shares trading at 9.3x 2022e EPS (or a 22% discount to peers), we maintain our Neutral rating. Additionally, after examining J.D. Power data, we find that Heartland's net promoter score of 27 trails our coverage median of 37.

As we examine Heartland's solid credit quality metrics over the years, the favorable trends have been in part attributable to the company's long history serving slower-growth central Illinois communities through its relationship-based approach. This

focus has provided the company with a stable stream of low-cost core deposit funding. Having said this, although its rural communities have provided Heartland with a high-quality source of funding, the opportunities to grow its loan portfolio here are limited, with central Illinois a slow growth market. With this in mind, Heartland has been expanding into the faster-growing Chicago MSA since initially entering that market through a small bank acquisition in 2011, and with a low loan to deposit ratio of 72% (peers: 80%), Heartland is able to deploy its excess low-cost deposit funding it has obtained from its rural markets into loan opportunities in Chicago. With about one-third of deposits and about one-half of loans today coming from the Chicago MSA, there remains upside to increase these concentrations even further, including by hiring one-off lenders and through bank M&A, particularly with this market remaining prone to disruption from bank deals that have provided Heartland with a source of local talent. With Heartland having used M&A in the past to supplement organic growth in its rural markets and with a sizable amount of excess capital in its arsenal (CET1 ratio of 13.1%; peers: 10.4%), Heartland intends to continue to seek acquisition opportunities to further expand its footprint, especially with there now being more clarity on the credit front. We note, however, that with a much more subdued pace of bank M&A deals over the past twelve months, acquisition opportunities may be more limited at this time, especially with HBT trading at a discount to peers on TBV.

HBT shares trade at 9.3x 2022e EPS, or a 22% discount to peers. Pressure on loan growth is likely to persist in the coming quarters and we expect PTPP income growth through 2023 to trend at the peer median. Combining this with a net promoter score that trails our coverage median, we see the stock as fairly valued and maintain our Neutral rating.

Estimate Revisions

We are increasing our 2021e and 2022e core EPS estimates from \$1.54 to \$1.62 and \$1.55 to \$1.82, respectively. We are also introducing our 2023e core EPS estimate of \$2.04. We note that in our estimates, we assume the forward curve.

Valuation

HBT shares currently trade at 9.3x 2022e EPS, or a 22% discount to peers. We are establishing our December 2022 price target of \$19 (as compared to our December 2021 price target of \$16.50), which assumes shares trade at 9.3x 2023e EPS, or at a 23% discount to peers. With PTPP income and EPS growth likely pacing at or below the level of peers through 2023, we see the stock as fairly valued. Consequently, we maintain our Neutral rating.

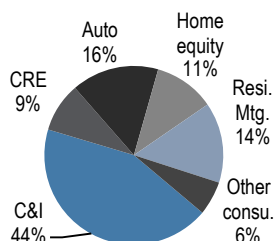
Risks to Rating and Price Target

We believe there are three primary risks to our Neutral rating and price target.

- **Upside/Downside: Asset sensitivity.** Heartland is an asset sensitive bank, given its low-cost deposit franchise, which has helped support impressive NIM expansion in the recent rising rate cycle. However, with the fed funds rate now at ZIRP and Heartland having less room to reduce its deposit pricing, we expect NIM to continue declining through early 2021. With this in mind, if the rate outlook were to shift upward from current levels, there could be upside risk and HBT shares could outperform peers.

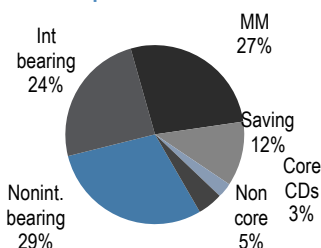
- **Downside: Credit one-offs.** Should one-off credit events surface, shares could underperform peers, particularly with Heartland being a relatively new public company (and investors less familiar with its credit history). We point to the company's exposure to higher risk industries (including hotels and restaurants), which represent 2.2% of loans, as watch areas in the quarters to come for potential credit issues.
- **Upside/Downside: Expansion strategy.** Heartland has expressed interest to continue pursuing M&A opportunities that will complement its existing footprint in Illinois or an adjacent market across the Midwest. Should the company pursue a poorly priced deal with excessive TBV dilution and/or a long earnback period, shares could underperform peers. However, if future acquisitions result in higher than expected cost savings or revenue synergies, shares could respond positively over time and outperform peers. Additionally, on its expansion strategy, Heartland has been active in hiring one-off lenders as it has been able to capitalize on disintermediation resulting from a wave of bank mergers taking place. However, should hiring prospects slow in its markets (including Chicago), this could result in a headwind to balance sheet growth, and shares could underperform peers.

Figure 73: HBAN Loan Mix



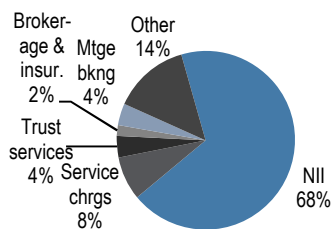
Source: Company reports.

Figure 74: HBAN Deposit Mix



Source: Company reports.

Figure 75: HBAN LTM Revenue Mix



Source: Company reports.

Table 55: HBAN Line Item Estimate vs. Consensus

	JPM	Cons	Diff
Revenue	1,247	1,231	1%
NII	838	847	-1%
Fee Income	409	384	7%
Expenses	719	710	1%
LLP	66	94	-30%
Core Net Income	344	328	5%
Avg. Dil. Shares	1,036,000	1,034,363	0%
NIM	2.95%	3.06%	-0.11%
Efficiency Ratio	57.68%	57.41%	0.27%

Source: SNL Financial and J.P. Morgan estimates. Note: Consensus is based on SNL mean estimates. Line items may not be comparable.

Huntington 1Q21 Preview (HBAN, OW)

Table 56: Estimate Comparison versus Consensus

	1Q21E	2021E	2022E
JPM	\$0.33	\$1.36	\$1.48
Cons.	\$0.32	\$1.26	\$1.37
Diff.	\$0.01	\$0.10	\$0.11

Source: Bloomberg Finance L.P. and J.P. Morgan estimates.

Significant First-Quarter Items

• Items to watch out for during 1Q21 earnings:

- While PPP forgiveness and lower dealer floor balances have weighed on loan growth in 1QTD (declining through 2/28), the company noted that commercial pipelines continue to build and that it remains optimistic about loan growth later in 2021. We look for the company's updated outlook on loan growth for 2021.

• Incremental updates during 1Q21:

- In March, Huntington and TCF Financial jointly announced that each company's shareholders approved the merger. The merger is still expect close in late 2Q21.
- At a recent conference, Huntington provided the following intra-quarter updates (through 2/28): (1) average loans declining \$0.6B QTD, led by lower commercial balances tied to PPP forgiveness and lower dealer floorplan and lower consumer balances tied to residential mortgage; (2) average deposits rising by \$1.8B QTD with growth coming from both consumer and commercial accounts.
- On 3/10, Huntington announced that Andrew Harmening, who oversaw the consumer and business banking and led the digital initiatives at HBAN), is resigning from his position as Senior Executive Vice President and Consumer & Business Banking Director, effective 4/1. Andrew Harmening will become the President and CEO of Associated Banc-Corp, effective 4/28.

• Quick take on expected fundamental trends in 1Q21:

- **Core EPS:** We forecast core EPS of \$0.33, a penny above consensus.
- **Prior management guidance:** For 2021 (standalone HBAN), (1) Avg. loans including PPP to increase 2-4%; (2) Avg. deposits up 5-7%; (3) Revenue to increase 1-3%; (4) NII flat to modestly higher; (5) Fee income flat to modestly lower; (6) NIM to be stable vs. 4Q20 level over the next few quarters; (7) Expenses to increase 3-5%; (8) NCOs in the 35-55bps range.

Table 57: Selected Financial Projections (in \$ millions, except EPS)

	1Q21E	4Q20	1Q20	Ann. Chg	Y/Y Chg
Core EPS	\$0.33	\$0.29	\$0.03	53.5%	NM
Net Interest Income	838	830	796	3.9%	5.3%
Fee Income	409	409	357	0.2%	14.6%
Expenses	719	718	641	0.8%	12.2%
PTPP Income	528	521	512	5.2%	3.1%
Loan Loss Provision	66	103	441	NM	-85.0%
Pre-tax income	447	370	58	83.1%	NM
Taxes	71	59	10	84.7%	NM
Net Income	344	276	30	99.0%	NM
Avg Earn Assets	115,392	112,222	101,783	11.3%	13.4%
Average Loans	81,657	81,116	75,696	2.7%	7.9%
Average Deposits	99,211	96,564	82,733	11.0%	19.9%
Net Interest Margin	2.95%	2.94%	3.14%	1 bps	-19 bps
Reserve/Loan Ratio	2.18%	2.22%	1.93%	-5 bps	25 bps
TCE/TA	7.14%	7.13%	7.48%	0 bps	-34 bps
ROTE	16.18%	14.56%	1.73%	162 bps	1445 bps

Source: Company reports and J.P. Morgan estimates. Note: Growth rates are linked quarter annualized.

Investment Thesis, Valuation and Risks

Huntington Bancshares Incorporated (*Overweight; Price Target: \$20.00*)

At the Forefront of Using Technology to Elevate Customer Experience and with the Cord Finally Cut on Delivering POL, HBAN Moving in the Direction of Long Term Holding Poised to Deliver Outsized Returns for Years; Overweight

Since we upgraded HBAN shares to Overweight in December 2020 (and one of our top picks for 2021), it has been our most controversial call with many investors being not fully onboard with our bullish stance on Huntington. While Huntington tends to be on investors' radar, we find that many investors have a perception of the company which may be more likely found in the history department rather than current events section of the library. As we've seen the strategy shuffling under multiple CEOs at Huntington going back to 2001 since we've covered the stock, while we fully understand why investors haven't taken the time to re-kick the tires on HBAN, we report back to investors that we're very impressed with what current CEO Steve Steinour has transformed the company into over the past decade, with the company at the forefront of combining the state of the art technology and customer-friendly practices to elevate customer experience to position itself as a long-term winner in the digital age. Not to mention with the cord finally cut on delivering positive operating leverage, we see Huntington now moving in the direction of long-term holding that is poised to deliver outsized returns for many years. Consequently, we maintain our Overweight rating with HBAN shares one of our top picks.

Last quarter, HBAN guided to expect 2021 expenses to grow in the 3-5% range, which was not only above the prior growth rate of expenses but above the guided 3% increase in revenue in 2021 – implying that the company won't likely deliver positive operating leverage in 2021. While the market responded negatively to this outlook, we see this as potentially marking an inflection point for Huntington. In fact, with the company previously being committed to delivering positive operating leverage quarter-in and quarter-out, this ended up being a formula that ended up valuing the shares at well below peer levels. With the company, however, at least temporarily cutting the cord on this commitment to delivering positive operating leverage we see this as the stock taking one step back to potentially move five steps forward. In fact, for this company to shake having banks like KeyCorp as its closest comp and start getting comped to highly valued banks such as Cullen Frost, the focus of management (and investors) needs to move away from checking a box that a miniscule level of positive operating leverage was delivered and toward one primary objective: delivering top line growth that leaves peers in its dust. To this end, with the company planning to step up the pace of investment in early 2021 in order to better position for an eventual market recovery was music to our ears. In every industry capital is flowing out of companies (and sectors) not driving strong top line growth and into companies (and sectors) that are driving strong top lines. We firmly believe that under CEO Steve Steinour, this company has been positioned as a Midwest banking powerhouse that is digitally savvy enough to compete head to head with any pure-play fintech in the US. When layering on top of its digital capabilities, not only a people-first model, which delivers outstanding service, but a customer friendly product set, which looks to improve the financial wellness of customers rather than take advantage of them, this is the bank to beat in the Midwest. Armed with a net promoter score (of 48) which tops Midwest peers by some way, the item needed to drive a significant re-rating of the shares is the company outrunning peers against the backdrop of an eventual economic recovery.

With the cord now cut on this previous focus on delivering positive operating leverage and the company now planning to lean in further on investments, we buckle up for the ride with Huntington one of our top picks.

We initially launched coverage of Huntington in the very early 2000s, and with the company back then a turnaround story, the strategy was to try to wring out value for shareholders through M&A. After going through a handful of CEOs, Steve Steinour took the CEO reins in 2009. After meeting with CEO Steinour shortly after taking the CEO post, while we were initially impressed at the time with the ambition of the new CEO to turnaround the company, we could not have imagined that the company would turn into what it has become today. While we knew that the company was one of the first among regional banks to offer more customer-friendly products, such as 24-Hour Grace, what we have been completely *underappreciating* is how offering customer-friendly products has become *the culture of the company*. Moreover, rather than this being a situation where new product rollouts are expected to improve customer satisfaction, the customer satisfaction scores at the company are already at the top of the pack. In fact, among the top 50 banks, Huntington's NPS of 48 is in the top five banks nationally and comfortably above our coverage median of 37. With that said, however, we see the client experience improvement story at Huntington as still being in the early innings with the company's satisfaction scores likely to continue *widening further* above peer levels as the company is proving to be one of the best in the industry in using technology to elevate the customer experience.

We recently interviewed Andy Harmening, former Consumer and Business Banking Director, and Mark Muth, Head of Investor Relations. While we've known for a while that Huntington is ahead of most regional bank peers when it comes to innovative digital banking product offerings, it was music to our ears to hear the company's philosophy and approach to using technology as a means to improving customer experience at the bank as opposed to an end goal itself (which we agree with). With that said, Huntington measures three things to determine whether it is doing enough on technology: (1) the bank's capability to sell digitally (e.g., online account opening), (2) the deepness of that relationship, and (3) the bank's client satisfaction score. All of these measures are headed in the right direction, with Huntington's online checking account openings being one of the top in the industry, over half of new household acquisitions coming through digital, and being ranked #1 in mobile app satisfaction (by J.D. Power) for the past two consecutive years, just to name a few. With the company actively rolling out new digital products and features to the market, about 1.5-2 years ago Huntington started hiring digital coaches and champions who are power users of these technologies and are responsible for getting them in the hands of customers. Currently, there are a total of ~150 digital coaches with champions in every branch in its markets.

Over the past couple of years, Huntington has actively rolled out over 100 innovative digital projects that we view as cutting-edge in the industry. A primary example of Huntington's differentiated banking technology and innovation tailored for improved customer experience is The Hub, which is at the center of the company's new digital banking experience. In December 2018, Huntington began the journey to develop a new digital banking platform, The Hub, by taking a road trip to its customers' homes and sitting around their kitchen tables to discuss finances, but more broadly, what they need in their lives. This experience inspired the company to develop The Hub, Huntington's new digital banking/personal financial management platform. With that said, The Hub was built to look out for Huntington's customers and their financial

future by helping them save more money, manage their spending, and reach their financial goals, with all of the key features being born out of direct feedback from customer conversations (and are 100% free). Below is the list of key features of Huntington's The Hub and how it helps elevate customer experience:

- **Heads Up:** leverages AI technology to let clients know real-time where their money is being spent and provide personalized and proactive insights to help them make more informed financial decisions. For example, Heads Up (1) alerts on customers' progress on savings, (2) monitors customers' subscription transactions and lets them know when free trials end or when they're coming up for renewal, and (3) actively monitors cash flows and alerts customers if it requires customers' attention such as duplicate charges, returned checks, or refund notifications.
- **Spend Analysis:** tracks and categorizes customers' spending to show exactly where their money is spent and help them understand how they can change spending habits.
- **Spend Setter:** a budget planning tool that enables customers to set budgets for categories where they'd like to tighten up their spending.
- **Look Ahead Calendar:** provides a complete financial view of the month including upcoming transactions (such as income and payment patterns) before they happen so customers can plan accordingly.
- **Savings Goal Getter:** helps customers visualize what they're saving for and shows their progress along the way.
- **Money Scout:** While this is not part of the Hub, as an upgrade to the Savings Goal Getter feature, in September 2020, Huntington newly launched Money Scout, an automatic savings tool that uses AI technology to analyze customers' spending habits, income, and upcoming expenses to find money they're not using in their checking account and automatically move that money to their savings accounts up to three times a week.

In terms of friction points that hurt bank customers' satisfaction score, the first answer that comes up most often is overdraft. With the pandemic having swept across the country and putting many consumers and businesses in financial hardship, Huntington rolled out two new features in its overdraft-protection lineup to help customers navigate the crisis and manage financial health: (1) 24-Hour Grace and (2) No-Overdraft Fee \$50 Safety Zone (for both consumer and business customers). Through these programs, when Huntington's customers overdraw on their account, they have a \$50 safety zone before incurring an overdraft fee (an increase from the prior \$5 limit). If they overdraw their account by over \$50, then the bank will automatically waive the overdraft fees as long as the customer makes a deposit during the next business day. All of these features, which are also 100% free and available to both consumer and business customers, were developed in direct response to the customers' feedback, with these efforts leading to higher customer engagement and satisfaction as well as lower customer attrition.

Thanks to Huntington's differentiated approach to technology (and more specifically around how it's being integrated with an ultimate goal of enhancing customer experience), the company has seen strong digital sales and customer acquisition while its customer attrition has decreased in each of the last three years. Putting numbers around this, digital usage has increased significantly over the past year, with digital logins increasing 45% y/y to top 139 million users, while new households

acquisition through digital channels (for consumer checking) increased from 25% of total in 2Q19 to 52% in 2Q20. In addition, its fast-growing mobile banking platform has been ranked #1 in mobile app satisfaction by J.D. Power for the past two consecutive years. With that said, with Huntington's serious push for digital transformation being a relatively recent initiative (which kicked off in 2018), the company is still in the early innings to see these initiatives translate to growth. Looking ahead, however, we view Huntington as very well positioned to drive further market share gains and achieve faster growth with its customer-first technology strategy positioning the company as a long-term winner in the digital age of banking. In fact, whereas many view fintechs as the greatest threat to regional banks, we see Huntington as emerging as one of the greatest threats to fintechs. Moreover, with the shares trading at a discount to peers, investors are able to accumulate shares in this long-term winner at what we believe is a bargain valuation. As a result, we maintain our Overweight rating on HBAN shares.

Estimate Revisions

We are increasing our 2021e and 2022e core EPS estimates from \$1.32 to \$1.36 and \$1.40 to \$1.48, respectively. We are also introducing our 2023e core EPS estimate of \$1.76. We note that in our estimates, we assume the forward curve.

Valuation

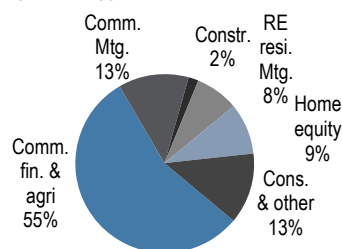
HBAN shares currently trade at 10.6x 2022e EPS, or an 11% discount to peers. We are establishing our December 2022 price target of \$20 (as compared to our December 2021 price target of \$16.50), which assumes shares trade at 11.4x 2023e EPS, or at a 6% discount to peers. With shares trading at a steep discount to peers, investors are able to accumulate shares in this long-term winner in the digital age of banking at what we believe is a bargain valuation.

Risks to Rating and Price Target

We believe there are four primary risks to our Overweight rating and price target.

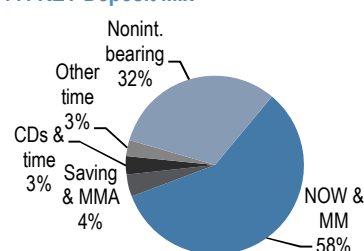
- **Downside: Technology focused on customer experience.** Given our view that the company's technology strategy focused on improving customer experience should translate to further market share gains and faster growth in the digital age of banking, should this not materialize or if the company sees any deterioration in customer satisfaction, shares could underperform.
- **Downside: Commercial loan growth.** Huntington was one of the few Midwest banks that guided early to expect commercial loan growth to pick up in the coming quarters, with the company now sitting on a healthy pipeline. Should the company see a deceleration in net organic commercial loan growth, this could result in shares underperforming those of peers.
- **Downside: Credit.** Huntington guided to expect NCOs for 2021 to be within the 0.35-0.55% range. Should the company see NCOs come in higher than the guided range, shares could underperform.
- **Downside: Merger:** Should the company fail to successfully execute the merger with TCF Financial or fail to realize the expected EPS accretion (of ~18% to 2022E EPS once fully phased in) with a longer TBV earnback period, shares could underperform.

Figure 76: KEY Loan Mix



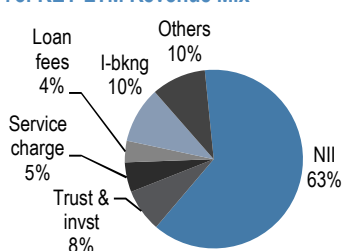
Source: Company reports.

Figure 77: KEY Deposit Mix



Source: Company reports.

Figure 78: KEY LTM Revenue Mix



Source: Company reports.

Table 58: KEY Line Item Estimate vs. Consensus

	JPM	Cons	Diff
Revenue	1,706	1,670	2%
NII	1,024	1,012	1%
Fee Income	682	657	4%
Expenses	1,005	1,002	0%
LLP	83	87	-5%
Core Net Income	457	450	2%
Avg. Dil. Shares	964,199	967,238	0%
NIM	2.69%	2.69%	0.00%
Efficiency Ratio	58.92%	59.44%	-0.52%

Source: SNL Financial and J.P. Morgan estimates. Note: Consensus is based on SNL mean estimates. Line items may not be comparable.

KeyCorp 1Q21 Preview (KEY, N)

Table 59: Estimate Comparison versus Consensus

	1Q21E	2021E	2022E
JPM	\$0.47	\$2.02	\$2.16
Cons.	\$0.46	\$1.82	\$1.83
Diff.	\$0.01	\$0.20	\$0.33

Source: Bloomberg Finance L.P. and J.P. Morgan estimates.

Significant First-Quarter Items

• Items to watch out for during 1Q21 earnings:

- At a recent conference, Key indicated that 7% of its branch network will be consolidated, with most of the cost savings from the consolidation expected in 1H21. We look for more details around the dollar amount of cost saves from the branch consolidations, how the cost saves will be used, and the updated expense target for 2021 (prior: down low-single digits).
- At a recent industry conference, Key indicated that most of its balance sheet is tied to the 3-year end of the curve, while the increase in 10-year yield is helping its margin on the securities yield front. We look for the company's view on the trajectory of NIM for the rest of 2021.

• Incremental updates during 1Q21:

- In early March, Key announced the acquisition of AQN Strategies, an analytics-driven consultancy with expertise in the financial services industry. Post-closing, AQN Founder Ben Sabloff was named Key's Head of Analytics.
- Key has just launched its national, digital affinity bank targeted at healthcare professionals, which will include deposits, additional lending products and other value-added services that will be personalized to suit the needs of this cohort.
- At a recent conference, Key noted that despite an increase in rates, mortgage pipelines remain strong, and the company expects strong mortgage pipelines to continue through end of this year.

• Quick take on expected fundamental trends in 1Q21:

- Core EPS:** We forecast core EPS of \$0.47, a penny above consensus.
- Prior management guidance (vs. 2020):** (1) Avg. loans relatively stable; (2) Avg. deposits up low-single digits; (3) Net interest income relatively stable; (4) Noninterest income up low-single digits; (5) Expense down low-single digits; (6) NCOs in 50-60 bps range; (7) 19% tax rate; (8) 1Q21 NIM to decline slightly q/q.

Table 60: Selected Financial Projections (in \$ millions, except EPS)

	1Q21E	4Q20	1Q20	Ann. Chg	Y/Y Chg
Core EPS	\$0.47	\$0.59	\$0.12	-79.0%	NM
Net Interest Income	1,024	1,043	989	-7.5%	3.5%
Fee Income	682	802	477	-59.9%	43.0%
Expenses	1,005	1,091	914	-31.6%	9.9%
PTPP Income	701	754	552	-28.3%	26.9%
Loan Loss Provision	83	20	359	NM	-76.9%
Pre-tax income	589	689	168	-58.0%	NM
Taxes	112	114	23	-7.3%	NM
Net Income	451	556	119	-75.5%	NM
Avg Earning Assets	154,083	154,786	132,494	-1.8%	16.3%
Average Loans	100,364	101,710	96,174	-5.3%	4.4%
Average Deposits	132,439	135,721	110,328	-9.7%	20.0%
Net Interest Margin	2.69%	2.70%	3.01%	-1 bps	-32 bps
Reserve/Loan Ratio	1.58%	1.61%	1.32%	-2 bps	27 bps
TCE/TA	8.07%	7.92%	8.26%	14 bps	-19 bps
ROTE	14.08%	17.94%	4.27%	-386 bps	981 bps

Source: Company reports and J.P. Morgan estimates. Note: Growth rates are linked quarter annualized.

Investment Thesis, Valuation and Risks

KeyCorp (Neutral; Price Target: \$22.50)

2021 PTPP Growth Unlikely to Sustain in 2022 on Moderating Revenue Growth Outlook; Although Former CEO Mooney Repositioned KEY, Heavy Lifting Still to Be Done by New CEO Gorman to Transform KEY from a Peer Performer to a Leader; Neutral

We've followed KeyCorp for two decades, as well as across now three CEOs, and for most of this time that we covered the company, the story was fairly consistent, Key would outperform during "boom" periods but then, by taking on too much risk, would then underperform notably during the "bust" periods. With all of that said, over the past nine years the company has undergone a fairly significant makeover. In fact, since former CEO Beth Mooney took the reins in 2011, for the first time in decades the company started to do more walking than talking. Since 2011, the company has helped to improve its credit risk profile by de-risking portions of its balance sheet, moving higher risk and/or less profitable loans into an exit portfolio. Changes implemented by former CEO Mooney extended well beyond just the balance sheet, with the goal being to change the culture of the company. These changes included significant turnover at all levels. In fact, of the 10 direct reports to former CEO Beth Mooney at the time of taking the CEO role, over the next few years eight out of 10 were replaced, with nearly half of the board members also being replaced. As such, after a decade of transforming the franchise, we find that Key has moved from a bottom quartile bank to above peers on many metrics, such as with the company improving its ROTE from 9.3% in 2012 to 15.7% in 2019 (vs. peers at 15.0%). With former CEO Mooney having recently retired in May 2020, Chris Gorman has taken the CEO reins. While we believe this is the strongest version of KeyCorp in decades, the jury is still out whether the new CEO can now transform Key from a peer performer into a leader (which was former CEO Mooney's original vision). With the credit outlook for the banking industry overall looking to have improved (with the company also guiding to expect 2021 NCOs in the 0.50-0.60% range), more than just a relatively strong credit report card will likely be needed to generate alpha in KEY shares: move the company's growth profile to above peers.

As such, when we look at PTPP income growth potential, although 2021 PTPP income growth is likely to trend above peers, the revenue outlook for 2021 includes several items that are unlikely to be part of the run-rate into 2022, including the benefits to net interest income from higher loan fees related to PPP forgiveness as well as a significant deployment of excess liquidity into securities in 2021, with the trajectory of revenue for 2022 likely trending in a downward pattern vs. 2021 absent a material pickup in loan growth (which appears challenged over the near term given the outlook for muted commercial loan growth). With that being said, with the company guiding to expect cost savings from branch consolidations (amounting to 7% of total) in 2021, instead of focusing on delivering a modest level of positive operating leverage, we view that the formula required to render KEY an outperformer will be to move the company's growth profile to above peers.

While former CEO Mooney may have transformed KEY from a historical laggard into a respectable peer performer, in many ways the heavy lifting required for the stock from new CEO Gorman has just begun. From a technology point of view, KeyCorp is taking a targeted approach not only by partnering with many fintechs but acquiring them as well, with its unique fintech partnerships including (1) Bolstr, a

fintech providing a digital lending platform that streamlines the process of applying for small business loans online by leveraging robotic process automation technology (which KeyCorp acquired in June 2018), and (2) HelloWallet, a fintech offering a personal financial management product that assesses customers' financial health scores and gives advice to improve their score (which was acquired by KeyCorp in May 2017 and integrated into its proprietary PFM tool, Financial Wellness). Not to mention, we see Laurel Road (a digital lending platform primarily serving healthcare professionals) – which now serves as a tech lab as well as a business lab for the bank's overall consumer banking – as being poised to become a high NPS differentiator that continues to expand its reach. Further demonstrating KeyCorp's commitment to execute on its targeted scale and digital strategy, KeyCorp is launching its national, digital affinity bank targeted at healthcare professionals (which will include deposits, additional lending products and other value-added services that will be personalized to suit the needs of this cohort). With that being said, however, while we are very impressed with the approach the company is taking toward using technology to improve the customer experience, which included partnering with fintechs as well as expanding the scope of its wholly owned fintech (Laurel Road), with the company having a net promoter score of 28 (vs. peer median of 37) which is within the lowest quartile, it may be a challenge to catch up to regional bank peers given an equally intense focus on improving the client experience. As a result, we maintain our Neutral rating.

Estimate Revisions

We are increasing our 2021e and 2022e core EPS estimates from \$1.94 to \$2.02 and \$1.90 to \$2.16, respectively. We are also introducing our 2023e core EPS estimate of \$2.45. We note that in our estimates, we assume the forward curve.

Valuation

KEY shares currently trade at 9.0x 2022e EPS, or a 24% discount to peers. We are establishing our December 2022 price target of \$22.50 (as compared to our December 2021 price target of \$19.50), which assumes shares trade at 9.2x 2023e EPS, or at a 24% discount to peers. Although we've witnessed a transformation of Key over the past years, more than just a relatively strong credit report card will likely be needed to generate alpha in KEY shares with the answer being peer-leading revenue growth. We maintain our Neutral rating.

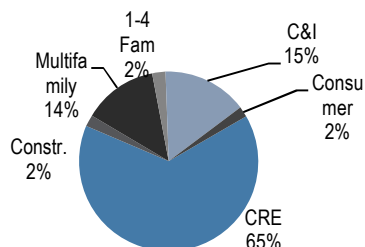
Risks to Rating and Price Target

We believe there are three primary risks to our Neutral rating and price target.

- **Upside/Downside: Loan growth.** We see limited loan growth for 2021 with the runoff of the indirect auto portfolio weighing on growth, while commercial loan demand remains largely muted. Should the company see an acceleration / deceleration in net organic commercial loan growth driven by the economic recovery, this could result in shares outperforming / underperforming those of peers.
- **Upside/Downside: NIM.** Should KeyCorp experience a sharper NIM decline vs. forecast, this could cause shares to underperform peers. Conversely, should the NIM decline be less than expected, shares could outperform peers.

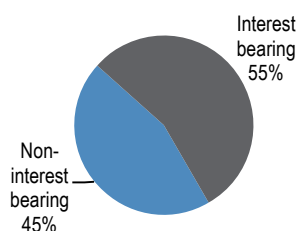
- **Upside/Downside: Credit.** While the company has de-risked its loan portfolio since former CEO Beth Mooney became the CEO in 2011, KEY still has exposure to higher risk industries, such as restaurant, hotels, leveraged lending, and oil & gas (with these exposures totaling 12% of total loans). Should credit performance come in much better / worse than forecast, shares could outperform / underperform.

Figure 79: MCB Loan Mix



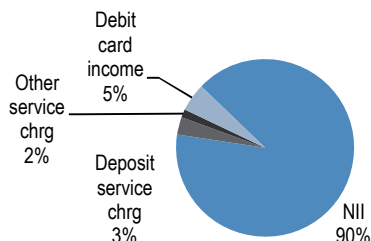
Source: Company reports.

Figure 80: MCB Deposit Mix



Source: Company reports.

Figure 81: MCB LTM Revenue Mix



Source: Company reports.

Table 61: MCB Line Item Estimate vs. Consensus

	JPM	Cons	Diff
Revenue	37	38	-1%
NII	34	34	-1%
Fee Income	4	4	-1%
Expenses	19	18	4%
LLP	3	4	-22%
Core Net Income	11	11	0%
Avg. Dil. Shares	8,418	8,418	0%
NIM	3.15%	3.19%	-0.04%
Efficiency Ratio	51.11%	48.90%	2.21%

Source: SNL Financial and J.P. Morgan estimates. Note: Consensus is based on SNL mean estimates. Line items may not be comparable.

Metropolitan Commercial Bank 1Q21 Preview (MCB, OW)

Table 62: Estimate Comparison versus Consensus

	1Q21E	2021E	2022E
JPM	\$1.26	\$5.76	\$6.77
Cons.	\$1.26	\$5.34	\$6.43
Diff.	\$0.00	\$0.42	\$0.34

Source: Bloomberg Finance L.P. and J.P. Morgan estimates.

Significant First-Quarter Items

- Items to watch out for during 1Q21 earnings:**
 - We expect MCB to continue growing its loan portfolio at a pace above peers (1Q21 JPMc: +16% annualized).
 - The Global Payments Group banks fintech companies and has contributed to strong fee income growth in 2020 (+50% Y/Y). We look for the group's ability to drive strong fee income along with low-cost deposits.
 - Loan modifications declined by 33% q/q to \$220mm (7% of total loans) in 4Q20. We continue to monitor the trend of loan deferrals as they reach the end of the deferral periods.
- Incremental updates during 1Q21:**
 - During the quarter, CEO Mark DeFazio sold shares of MCB. Holdings of MCB shares by Mr. DeFazio declined by 61k shares q/q to 68.2k or 0.8% of total shares outstanding in 1Q21.
- Quick take on expected fundamental trends in 1Q21:**
 - Core EPS:** We forecast core EPS of \$1.26, in line with consensus.
 - Loan growth:** We anticipate average loans to grow at strong pace of 16.3% ann.
- No prior management guidance.**

Table 63: Selected Financial Projections (in \$ millions, except EPS)

	1Q21E	4Q20	1Q20	Ann. Chg	Y/Y Chg
Core EPS	\$1.26	\$1.39	\$0.63	-37.5%	98.4%
Net Interest Income	33.9	33.5	29.0	4.6%	16.9%
Fee Income	3.5	3.4	3.3	15.3%	5.4%
Expenses	19.1	17.8	19.5	29.4%	-2.1%
PTPP Income	18.3	19.1	12.8	-16.6%	42.9%
Loan Loss Provision	2.8	1.8	4.8	NM	-41.6%
Pre-tax income	15.5	17.3	9.0	-41.4%	71.8%
Taxes	4.9	5.5	2.9	-44.4%	67.7%
Net Income	10.6	11.7	6.0	-37.4%	75.7%
Avg Earning Assets	4,353	4,124	3,424	22.2%	27.1%
Average Loans	3,196	3,071	2,706	16.3%	18.1%
Average Deposits	3,868	3,693	2,900	18.9%	33.4%
Net Interest Margin	3.15%	3.21%	3.38%	-6 bps	-23 bps
Reserve/Loan Ratio	1.10%	1.13%	1.12%	-3 bps	-2 bps
TCE/TA	7.51%	7.53%	8.14%	-2 bps	-63 bps
ROTE	12.81%	14.64%	7.40%	-183 bps	NM

Source: Company reports and J.P. Morgan estimates. Note: Growth rates are linked quarter annualized.

Investment Thesis, Valuation and Risks

Metropolitan Bank Holding Corp. (*Overweight; Price Target: \$75.00*)

Deep Discount Valuation Reflects NYC CRE Overhang; As NYC Re-Opens With Vaccine Roll-Out, We See Shares Re-Rating Higher; Maintain Overweight

Metropolitan Commercial Bank wrapped up 2020 with another year of consistent growth across the board while maintaining strong credit quality metrics. Despite a challenging environment in 2020 due to the COVID-19 pandemic, MCB grew deposits 37% y/y and increased loans 17% y/y. This marked the second year in a row in which the bank grew assets in the \$1B range (or more) and bank's assets now total \$4.3B. Looking into 2021, MCB is positioned to drive mid-teens loan growth with many deposit verticals at the bank contributing to low-cost deposit growth. This is combined with a NIM that is relatively stable and poised to benefit as excess liquidity is deployed into loan growth and as the deposit mix improves towards low-cost deposits. In addition, the Global Payments Group (GPG), which provides banking and payment services to fintech companies, continues to grow and contributes to a growing stream of fee income (GPG fee income rose 50% in 2020) and non-interest bearing deposits for MCB. Despite having a strong growth profile to drive PTPP income growth well above peers for years to come, MCB shares trade at a deep discount to peers. At this deep discount valuation, we see shares as a bargain for a franchise with a large runway to grow. We maintain our Overweight rating.

NYC was at one point the epicenter for the COVID-19 pandemic in the US and as a result, faced negative consequences on the local economy. Tied to this, there has been increased concern over NYC commercial real estate (CRE) credit quality and with MCB being a NYC CRE lender (60% of loans in CRE and 14% in multifamily), all eyes are on credit quality and MCB's deep discount valuation reflects the risk of NYC CRE exposure. However, we're not as bearish as most on the outlook for New York real estate. Having witnessed many cycles in NYC, the time to buy has been when the herd is running in the other direction. In past cycles, MCB has been an outperformer on credit metrics in regards to its loan portfolio relative to our coverage group with peak losses in the CRE portfolio at 0.51% in 2010. Additionally, the CRE portfolio has a low average loan to value (LTV) of 53% to provide the bank with a strong layer of protection. Loan modifications declined by 33% q/q to \$220mm (7% of total loans) in 4Q20 with 99% of the loans secured by real estate with a low weighted average LTVs of 41.0%. While this level of deferrals remains high at the end of 4Q20, the bulk of the deferrals are expected to expire by the end of 1Q21 and decline to just under 2% of loans. As NYC re-opens with the help of the vaccination roll-out and eventual herd immunity, we expect pent up demand to drive a strong rebound in the local economy. Consequently, we see room for MCB's current deep discount valuation to tighten as NYC re-opens.

In a low interest rate environment, MCB stands better positioned than peers to withstand NIM headwinds with 58% of MCB's loans being fixed rate and 68% of the remaining floating rate loans have floors to protect from lower short-term rates (with an average weighted floor of 4.99%). With MCB being a relationship lender, it has a low reliance on loans that are sourced from brokers, with the remainder coming from word-of-mouth referral and repeat customers, which we believe is key to the MCB model. Sourcing loans themselves allows the company to attain higher loan yields,

with the weighted average yield on the overall loan portfolio at 4.62% as of 4Q20. We also believe this selective and diversified approach will allow for better credit performance relative to peers over time. On the liability side, interest bearing deposit costs were stable q/q at 0.56% in 4Q20 while loan yields declined 4 bps q/q to 4.62%. In addition, non-interest bearing deposits are 45% of total deposits. However, with the 10-year Treasury yield slightly above the 1.7% range, if longer-term yields remain low, this will weigh on loan yields as fixed rate loans reprice lower and compress net interest margin for MCB longer term. However, should we see the yield curve steepen, MCB stands to be among the key beneficiary with the bank's real estate loan yields benefitting as well as potentially higher securities yield to deploy excess cash into.

One differentiated driver of deposit and fee income growth for MCB is the bank's Global Payments Group, which provides the financial infrastructure to fintech companies and access to different payments capabilities. MCB was an early participant in the fintech space with the bank issuing its first self-branded GPR debit card—CashZone Gold Card—to help New York's unbanked and underbanked families access alternative financial services. Today, MCB helps fintech companies by providing them with domestic and international digital payments settlement, debit cards, merchant acquiring services, digital payments, regulatory oversight expertise, acting as a custodian of deposits, and more. The Global Payments Group (GPG) serves 160 clients with offices within 6 continents, which includes a large underlying 2 million in active client customers across 200 countries. In 2020, the Global Payments Group contributed \$439mm in deposits and \$8.5mm in fee income to the bank. Looking ahead, as MCB continues to drive growth in this niche segment, this should provide the bank with a differentiated source of low-cost deposit and fee income.

MCB trades at 7.4x 2022e EPS, or a 36% discount to our coverage group and a 29% discount to NYC CRE peers. While the bank has a stronger growth profile than peers, this valuation discount suggests a pessimistic view on credit with the bank a NYC CRE focused lender. Even when compared to NYC CRE peers, MCB trades at a deep discount which we attribute to MCB being a lesser known story as the company went public only in 2017. Over the next several quarters as vaccinations help NYC move towards herd immunity and the local economy opens back up with pent up demand, we see this overhang on NYC CRE to be lifted and lead to a re-rating of MCB shares higher. Instead, we believe the focus in 2021 will be on normalized earnings and MCB is positioned to drive PTPP income growth well ahead of peers for years to come. Combined with the stock trading at a steep discount, we see this as an attractive entry point for the stock and maintain our Overweight rating.

Estimate Revisions

We are decreasing our 2021e and 2022e core EPS estimates from \$5.81 to \$5.76 and \$6.78 to \$6.77, respectively. We are also introducing our 2023e core EPS estimate of \$8.29. We note that in our estimates, we assume the forward curve.

Valuation

MCB shares trade 7.4x 2022e EPS, or a 36% discount to our coverage group as well as a 29% discount to a NY CRE concentrated peer group. We note that the NYC peer group consists of six commercial real estate lenders ranging \$4-7B in asset sizes. We

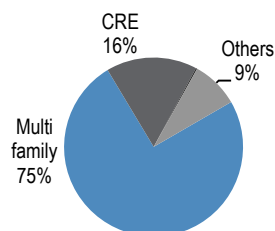
are establishing our December 2022 price target of \$75 (as compared to our December 2021 price target of \$50), which assumes shares trade at 9.0x 2023e EPS, or at a 25% discount to peers.

Risks to Rating and Price Target

We believe there are three primary risks to our Overweight rating and price target.

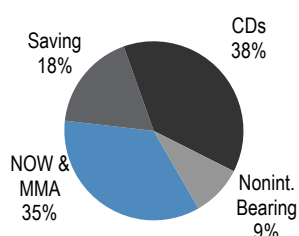
- **Downside: NYC CRE exposure.** Commercial real estate accounts for about 60% of total loans while multifamily loans are another 14% of total loans. New York City had been the epicenter of the country for the COVID-19 outbreak earlier in the national emergency but is now in the process of re-opening the economy while controlling the spread of COVID-19. If the NY real estate market declines as a result of stress to the local economy, then credit quality could deteriorate and growth could suffer. With that being said, the New York CRE market has historically outperformed other large markets across the country.
- **Downside: Expense control.** Much of the success of Metropolitan's story will hinge on the bank's ability to bring its return on assets and return on equity up to a peer level, or better, over the next few years. With the company's efficiency ratio at 52% in 2020, if the company is unable to achieve significant operating leverage as the balance sheet grows by keeping expense growth in check, then significant profitability improvements may not materialize. This could lead to share price underperformance.
- **Downside: Deposit franchise.** As MCB continues to outperform with industry leading loan growth, one key measure of the bank's success will be its ability to attract low-cost deposits, particularly deposits that will add franchise value. Additionally, with non-interest bearing deposits now at 45% of total deposits, should MCB see this concentration decline and rely on higher cost deposits, NIM may be compressed. If MCB is unable to generate low cost deposits to fund loan growth and rely on borrowings or higher cost deposits, shares may underperform.

Figure 82: NYCB Loan Mix



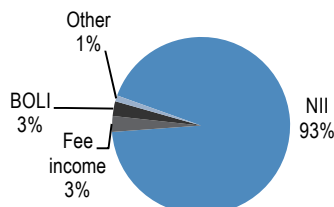
Source: Company reports.

Figure 83: NYCB Deposit Mix



Source: Company reports.

Figure 84: NYCB LTM Revenue Mix



Source: Company reports.

Table 64: NYCB Line Item Estimate vs. Consensus

	JPM	Cons	Diff
Revenue	321	325	-1%
NII	306	308	-1%
Fee Income	15	15	-1%
Expenses	134	135	0%
LLP	16	12	34%
Core Net Income	120	125	-4%
Avg. Dil. Shares	462,592	462,602	0%
NIM	2.35%	2.44%	-0.09%
Efficiency Ratio	41.71%	41.62%	0.10%

Source: SNL Financial and J.P. Morgan estimates. Note: Consensus is based on SNL mean estimates. Line items may not be comparable.

New York Community Bank 1Q21 Preview (NYCB, N)

Table 65: Estimate Comparison versus Consensus

	1Q21E	2021E	2022E
JPM	\$0.26	\$1.17	\$1.35
Cons.	\$0.27	\$1.13	\$1.24
Diff.	(\$0.01)	\$0.04	\$0.11

Source: Bloomberg Finance L.P. and J.P. Morgan estimates.

Significant First-Quarter Items

- **Items to watch out for during 1Q21 earnings:**
 - With the average 5-year Treasury yield rising by ~20 bps in the quarter, new originations and refinancing at New York Community could benefit, but we look for color on pricing competition and how spreads have trended.
 - With Mr. Cangemi stepping into the CEO role recently, we look for more color on the strategic direction of the firm and initiatives undertaken.
 - NYCB guided to 3-5% loan growth in 2021, and with NYC multifamily facing multiple headwinds, we look to see NYCB's ability to generate loan growth in this asset class.
- **Incremental updates during 1Q21:**
 - NYCB added the role of chairman of the board to CEO and President Thomas Cangemi. Meanwhile, Michael Levine is retiring as non-executive chairman from both the company and the bank boards for personal reasons.
- **Quick take on expected fundamental trends in 1Q21:**
 - **Core EPS:** We forecast core EPS of \$0.26, a penny below consensus.
 - **Average loans:** We forecast average loans to increase at a 3.2% ann. pace.
- **Prior management outlook:** (1) 3-5% multi-family loan growth target for FY 2021; (2) 1Q21 core NIM to increase 3-5 bps; (3) 1Q21 expenses in \$134mm range; (4) Securities portfolio to grow q/q in 1Q21; (5) 1Q21 fee income to remain flat q/q; (6) 1Q21 deposit costs to go below 0.5%.

Table 66: Selected Financial Projections (in \$ millions, except EPS)

	1Q21E	4Q20	1Q20	Ann. Chg	Y/Y Chg
Core EPS	\$0.26	\$0.27	\$0.17	-18.3%	53.9%
Net Interest Income	306	308	244	-2.0%	25.3%
Fee Income	15	15	16	2.1%	-8.4%
Expenses	134	134	126	1.5%	6.8%
PTPP Income	187	189	135	-4.1%	38.4%
Loan Loss Provision	16	11	21	NM	-22.3%
Pre-tax income	171	178	115	-15.8%	48.7%
Taxes	43	-11	15	NM	NM
Net Income	120	181	92	NM	30.6%
Avg Earning Assets	50,489	49,967	48,521	4.2%	4.1%
Average Loans	42,780	42,436	41,511	3.2%	3.1%
Average Deposits	32,506	32,137	31,594	4.6%	2.9%
Net Interest Margin	2.35%	2.30%	1.92%	5 bps	43 bps
Reserve/Loan Ratio	0.44%	0.45%	0.38%	-1 bps	6 bps
TCE/TA	8.17%	8.19%	8.12%	-2 bps	5 bps
ROTE	10.85%	11.56%	7.87%	-71 bps	298 bps

Source: Company reports and J.P. Morgan estimates. Note: Growth rates are linked quarter annualized.

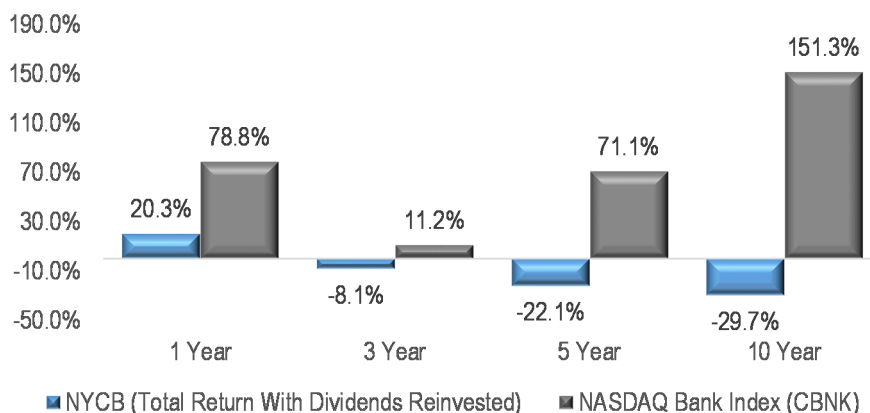
Investment Thesis, Valuation and Risks

New York Community Bank (Neutral; Price Target: \$13.50)

With a Clear Need to Reposition the Company and a New CEO Now at the Wheel, We Wait for the One Step Back in the Stock Before Positioning for Two Steps Forward; Maintain Neutral

Although most legacy thrifts, including well-known names such as Webster and People's United, converted into full fledged commercial banks over the past two decades, New York Community has been somewhat of a lone wolf by sticking to its legacy roots. As a result, with New York Community today being one of the few remaining thrifts, the company to this day has maintained a fairly narrow focus on loans as well as over-reliance on wholesale type funds, with the end result being a razor thin net interest margin as well as limited opportunity for fee income from existing customers. While we generally encourage banks to remain within their circle of competence, in this specific situation and with NYCB sticking to its legacy roots - *its created very little value for shareholders over the past decade*. In fact, even inclusive of dividends (to which NYCB is a very high payer), its total return over the past decade has been negative while peers grind higher. Even more recently, while its performance has been more positive, this has still been far from a "newsletter worthy" return for shareholders.

NYCB Total Return (with Dividends Reinvested) vs. Peers over One, Three, Five, and Ten Years Horizon



Source: Bloomberg Finance L.P. Total return as of 3/26/2021.

To this end, a new sheriff is now in town with Tom Cangemi being promoted from the CFO to CEO role on December 28, 2020. In addition, on March 26 it was announced that Mr. Cangemi was also named as Chairman of the Board. Along these lines, the 4Q20 earnings call was the first chance to hear from CEO Cangemi in this new role. The key message for shareholders: everything is on the table. In fact, it was clear from the call that a new energy is about to be brought to the company with a strategic focus on moving this company into the modern age. This will include more of a focus on improving the deposit franchise at the bank as well as exploring new lending verticals. While the company pointed out, however, that it would explore increased hiring as well as lift-outs from local competitors, with New York Community now being a \$56B asset bank, the options that we see for the company are (1) it goes the route of increased hiring to transform the franchise, which would

likely take many years to transform the franchise or (2) it pursues an M&A transaction to accelerate the transformation. As a result, even though it has been nearly a decade since the company closed on its last M&A deal, we see it as much more likely that an ambitious new CEO pursues the route of one or more M&A transaction.

While an M&A transaction is the tool that could move the needle the quickest in terms of the company being able to transform its deposit franchise, the challenge is that NYCB has completely lost its historical premium currency. In fact, the shares now trade at 9.1x 2022e EPS, or at a 23% discount to peers, as well as at 1.1x TBV, which is a 10% discount. As a result, it's going to be very difficult for the company to find an M&A deal that is not dilutive to TBV out of the gate. To this end, on the call management seemed much more open to tolerate some level of TBV dilution. While it was not apparent that the company would be willing to tolerate meaningful dilution (call this with a TBV earn-back in a 5+ year range), if the company is unwilling to take on this type of dilution it may end up *unicorn hunting* for several years, which in our view is a formula for "more of the same" from the stock - or a peer level performer at best.

In many ways the company is in the same position today as a mutual holding company, such as Eastern Bank in our coverage universe, which we believe would benefit from undertaking an M&A deal to move forward but is in a disadvantaged position as it relates to the relative value of its currency. Even though an M&A transaction could position New York Community in a much better position over the longer-term, this could be a situation where the company needs to take one step back in order to move two steps forward. Not to mention that the market has grown less enamored overall with M&A transactions. As a result, we are comfortable on the sidelines and would wait for the "one step back" to take place before we would then consider positioning for "two steps forward". Even though the shares appear cheap on the surface, we maintain our Neutral rating. With that said, given the recent change in leadership with Tom Cangemi rising to the CEO role, as this may mark a turning point for the company, we remain very interested in the NYCB story.

In fact, even prior to the leadership change, the bank had upgraded its technology infrastructure with the completion of its core banking system in August 2020. New York Community partnered with Fiserv to move to its DNA core platform, which is built on an open architecture and adds digital solutions such as retail banking, commercial lending, commercial cash management, business banking, and payments. In one example of the improvement to business processes, prior account opening processes used to take 40-45 minutes and with the new capabilities the goal is to reduce this down to 15 minutes and allow for an improved customer experience and let bankers serve clients in other ways. With the new core banking system, the bank is also modernizing its online and mobile offerings and other key features to customers such as Zelle. While NYCB's business model historically relied on a depositor base that is less representative of transactional accounts and instead largely older CD customers looking for the highest rate in its markets, this may change with the bank now having a new leadership and core system. When combining New York Community's new technology infrastructure and offering with an update to the sales culture in the firm to focus more on deposit relationships outside of CDs, New York Community has the potential to improve its deposit franchise and improve its net interest margin profile over time. In one example of how New York Community is focused on getting more operating relationships from its borrowers, when borrowers

requested loan deferrals in response to the pandemic, the bank made it a requirement for borrowers to also bring over its operating accounts in order to receive a loan deferral. While the bank has an NPS score that is about in line (or slightly above) with regional bank peers, with this being the early innings of New York Community's path to modernization, the bank has room to improve the customer experience.

NYCB's multifamily portfolio as of 4Q20 stands at \$32.3B with nearly 64% (or \$20.7B) of the portfolio in NYC multifamily. Traditionally, the NYC multifamily portfolio has been considered a low-risk asset class, but the portfolio now faces multiple headwinds in the form of (1) sweeping changes to NYC rent regulations passed in 2019; (2) unusually high unemployment rate (NYC: 12.6% in January 2021); and (3) potential elimination of the 1031 exchange or like-kind exchanges under a Biden presidency. While each of these headwinds individually would be unlikely to cause material losses in the NYC multifamily portfolio, the cumulative effects of the headwinds are likely to be a risk factor for the NYC multifamily market. With that said, however, the credit quality trends for the portfolio at NYCB appear to be very favorable with a 53% loan to value ratio on average for NYC multifamily. Meanwhile, loan deferrals declined from \$3.1B or 7.3% of total loans as of 10/22/2020 to \$84mm or 0.20% of total loans as of 4Q20 and representing a 97% decline.

While credit at NYCB appears manageable with the company calling out strong debt service coverage levels and low loan-to-value ratios, loan growth for the multifamily portfolio remains a wildcard. Furthermore, with multiple headwinds to the NYC multifamily segment impairing building values, we see refinance volumes for the multifamily portfolio slowing down. While management guided to 3-5% loan growth for 2021, we see multiple headwinds to loan growth in the multifamily portfolio, and it remains unclear to us how the company would be able to grow the portfolio in the upper end of the range in such a challenged backdrop. We note that the horse that pulls the growth cart at NYCB is NYC multifamily growth. To the degree that growth slows, particularly the potential backdrop of rising intermediate-term interest rates, overall revenue growth for the company is likely to slow as well.

While slowing multifamily growth could be a negative for the stock from a loan growth perspective, it could also restrict the company's ability to see further NIM expansion should the yield curve steepen. Whereas historically a steeper yield curve was a positive catalyst for NYCB shares, when the curve is steepening tied to the longer-end of the curve rising, for the company to see NIM expansion it would need to see multifamily loan growth in order to add new loans into the portfolio at a higher yield. To the degree, however, that multifamily loan growth remains weak in the backdrop of rising longer-term interest rates, while the steeper curve wouldn't hurt the company's NIM, it wouldn't help it much either. Moreover, should inflation start to percolate in the back half of 2021, it's likely that the forward curve would start anticipating higher odds of short-term rates rising. To this end, however, with NYCB having the lowest concentration of non-interest bearing deposits in our coverage universe, the NIM outlook for NYCB could turn on a dime. Even though the shares are among the most attractive we can remember and the well-above-peer dividend yield remains intact, at the current juncture we maintain our Neutral rating on the stock with the discount valuation versus peers appearing appropriate.

Estimate Revisions

We are increasing our 2021e and 2022e core EPS estimates from \$1.14 to \$1.17 and \$1.26 to \$1.35, respectively. We are also introducing our 2023e core EPS estimate of \$1.50. We note that in our estimates, we assume the forward curve.

Valuation

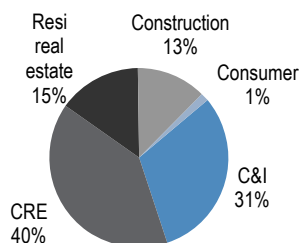
NYCB shares currently trade at 9.1x 2022e EPS, or a 23% discount to peers. We are establishing our December 2022 price target of \$13.50 (as compared to our December 2021 price target of \$12), which assumes shares trade at 9.0x 2023e EPS, or at a 26% discount to peers. Although NYCB is likely to continue to see NIM expanding in the year, the better than peer margin outlook is tempered by a less certain loan growth outlook, and as a result we maintain our Neutral rating.

Risks to Rating and Price Target

We believe there are three primary risks to our Neutral rating and price target.

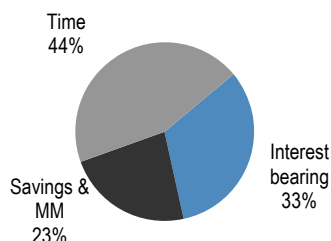
- **Upside/Downside: Loan growth.** New York Community continues to target multifamily loan growth in the 3-5% range for 2021. If the company sees loan growth that is materially above/below guidance, shares could outperform/underperform peers.
- **Upside/Downside: Loan repricing opportunities.** On multifamily loans, NYCB has a significant portion of its portfolio contractually maturing or reaching their option repricing date over the next three years. If new loan yields (tied to the five-year Treasury yield) are higher/lower than expected at the time the loans refinance, shares may outperform or underperform, respectively.
- **Upside/Downside: Funding repricing opportunities.** With short-term rates now near 0% due to the Fed cutting the federal funds rate by 150 bps in March 2020 and NYCB being a liability-sensitive bank, two large opportunities on the funding side are NYCB's borrowings and CDs repricing lower as they come due. If the costs of these liabilities reprice lower/higher than expected, shares may outperform/underperform.

Figure 85: PNFP Loan Mix



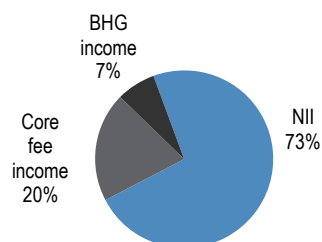
Source: Company reports.

Figure 86: PNFP Deposit Mix



Source: Company reports.

Figure 87: PNFP LTM Revenue Mix



Source: Company reports.

Table 67: PNFP Line Item Estimate vs. Consensus

	JPM	Cons	Diff
Revenue	281	306	-8%
NII	224	224	0%
Fee Income	57	78	-27%
Expenses	143	150	-5%
LLP	18	14	31%
Core Net Income	102	108	-6%
Avg. Dil. Shares	75,584	75,557	0%
NIM	2.94%	3.04%	-0.10%
Efficiency Ratio	47.04%	48.97%	-1.93%

Source: SNL Financial and J.P. Morgan estimates. Note: Consensus is based on SNL mean estimates. Line items may not be comparable.

Pinnacle Financial Partners 1Q21 Preview (PNFP, OW)

Table 68: Estimate Comparison versus Consensus

	1Q21E	2021E	2022E
JPM	\$1.34	\$5.77	\$6.12
Cons.	\$1.41	\$5.26	\$5.37
Diff.	(\$0.07)	\$0.51	\$0.75

Source: Bloomberg Finance L.P. and J.P. Morgan estimates.

Significant First-Quarter Items

- Items to watch out for during 1Q21 earnings:**
 - We are bullish on the Atlanta expansion, and with solid progress made in 2020, we will be on the lookout for the continued efforts relating to new hires and capturing market share away from large banks and regional bank peers.
 - BHG income remained robust in 4Q20 at \$24mm following a record quarter for loan originations. While BHG income is expected to grow at a high-single digit pace in 2021, this assumes no BHG reserve releases. We will look for any signs of upside to the high-single-digit growth outlook with BHG business flows remaining strong in 1Q21 (per the January earnings call).
- Incremental updates during 1Q21:**
 - During the quarter, we hosted virtual meetings with management and published our takeaways and a deep dive on the Atlanta opportunity, which we view as a \$30B+ deposit opportunity over the long term. We also added PNFP to the JPM Analyst Focus List (view report [here](#)).
 - On 2/1, Pinnacle provided a one year update on its Atlanta expansion, including: ~\$110mm of loans and deposits and that 26 RMs have been hired so far (each with an average of 20+ years of experience) out of a total of 50 planned RM hires as part of the initial five-year targets provided in December 2019.
- Prior management outlook:** For 2021, (1) Loan growth (ex-PPP) in high-single to low-double digits; (2) Deposit growth mid-single digits; (3) NII including PPP in high-single digits; (4) Core NIM flat to up q/q; (5) Total deposit costs 0.25% in near term; (6) Fee income mid-single digit; (7) BHG income high single digit; (8) Mortgage income likely down y/y; (9) Expenses to grow high single digit.

Table 69: Selected Financial Projections (in \$ millions, except EPS)

	1Q21E	4Q20	1Q20	Ann. Chg	Y/Y Chg
Core EPS	\$1.34	\$1.58	\$0.39	-59.3%	NM
Net Interest Income	224	229	201	-8.7%	11.9%
Fee Income	57	59	54	-16.4%	4.4%
Expenses	143	144	132	-5.5%	7.6%
PTPP Income	160	168	138	-18.7%	16.2%
Loan Loss Provision	18	7	100	NM	-82.0%
Pre-tax income	125	134	27	-26.0%	NM
Taxes	25	23	-2	34.3%	NM
Net Income	96	107	28	-39.9%	NM
Avg Earning Assets	30,463	30,714	24,632	-3.3%	23.7%
Average Loans	21,950	22,525	20,009	-10.2%	9.7%
Average Deposits	26,492	27,193	20,679	-10.3%	28.1%
Net Interest Margin	2.99%	2.97%	3.28%	2 bps	-29 bps
Reserve/Loan Ratio	1.28%	1.27%	1.09%	1 bps	19 bps
TCE/TA	8.98%	8.54%	9.19%	44 bps	-20 bps
ROTE	14.44%	17.52%	5.11%	-308 bps	933 bps

Source: Company reports and J.P. Morgan estimates. Note: Growth rates are linked quarter annualized.

Investment Thesis, Valuation and Risks

Pinnacle Financial Partners (*Overweight; Price Target: \$115.00*)

Pinnacle Positioned to Drive Well Above-Peer Revenue Growth Over the Near as well as the Long-Term With Atlanta a \$30B Long-Term Deposit Opportunity; Maintain Overweight and PNFP One of Our Top Picks

We recently held investor meetings with Pinnacle's President & CEO Terry Turner and CFO Harold Carpenter (see our takeaways note and Atlanta Opportunity Deep Dive [here](#)). While it's clear that the winners in most industries are those companies best positioned to drive market share gains and, as a result, drive strong top-line growth, in the bank sector we always need to be cautious on banks driving outsized growth given a clear historical path of many banks outgrowing peers during the good times but then giving these gains (plus more) back as they then work through a credit cycle. As a result, we are continually on the search for banks with some type of secret sauce that allows these banks to outrun peers without needing to take undue credit or interest rate risk. With that said, however, having covered the regional bank sector for more than two decades, we've only uncovered a handful of these hidden gems. Followers of our work are likely all too familiar with these long-term winners which include banks such as First Republic, Silicon Valley Bank, and Signature. To this end, however, following many meetings we have had with Pinnacle in the past few years, we recently added another bank to this illustrious group: Pinnacle Financial Partners. In fact, following our deep dive into the Atlanta opportunity, we are even more bullish on PNFP shares over the near as well as the long-term with PNFP one of our top picks.

While it's hardly a secret that we have a bias toward banks that are able to drive market share gains and, as a result, drive well above-peer growth levels, one of the key lessons we've learned (the hard way more often than not) is that when it comes to banks that grow much faster than peers, for the vast majority, they are able to drive above-peer growth as a result of offering looser terms and structures in the market (along with cheaper pricing), and as a result, while they demonstrate above-peer growth, it tends to be of lower quality. As a result, it ends up being a waiting game until a lower quality loan portfolio impairs the stock price. Consequently, when it comes to growth companies, it's very rare that out of the gate we come out bullish on the stock. In fact, even for many of our favorites today, including First Republic and Silicon Valley Bank, for example, we rated each of these stocks at Neutral out of the gate until we were able to get comfortable that there was some type of "secret sauce" responsible for the above-peer growth rather than simply being willing to take on more risk. To this end, even though we have covered PNFP shares since September 2019, over the past year we've continued to conduct significant due diligence on the company, which has included meetings with multiple layers of management. Post those meetings as well as our most recent meetings and seeing how the company (including BHG) has performed from a credit viewpoint through the most recent economic downturn, we have concluded that above-peer growth at Pinnacle is indeed coming from a "secret sauce" with the company actually being a very conservative bank. As a result, Pinnacle is at the top of our list to not only display leverage to an economic recovery, but also to be in a position to drive significant share gains over time in its newest market for expansion: Atlanta.

Having covered First Republic since its IPO, we've learned that when you find a bank that (1) is founder-led, (2) provides a "wow" level of service to customers, and

(3) there is ample room to grow market share, it's best to buckle up and go along for the ride. Illustrating this point, FRC shares have increased ~500% over the past decade as compared to ~80% for banks in our coverage universe as well as ~200% return for the S&P 500. Although there were certainly periods over the past decade where higher risk banks outperformed FRC shares over relatively short periods of time, over the entire 10-year timeframe none of them could compare. As a result, we suggested investors continue to play the long game with First Republic. To this end, however, we also now suggest to investors that they also play the long game with Pinnacle. In fact, we see Pinnacle as fitting very nicely into what we see as the long-term winners within the regional bank industry.

With the mega banks spending in the multibillions now on technology, many regional banks have responded by increasing their investments in technology but to the detriment of investing in what historically provided them with a competitive advantage: being connected to the local communities in which they operate. Rather than this being the digital age of banking (or everything for that matter), we see this as the convenience age with technology being a key piece of the puzzle in being able to deliver convenience, but this is not the only piece of the puzzle. In fact, in our view, the long-term winners in banking will be decided by one single metric: customer satisfaction levels. Banks that are able to reduce friction points with customers, which goes beyond simply checking the box of having a functional mobile app, will emerge as the market share takers over time. In this respect, Pinnacle is in a very elite group and one of the very few banks with a net promoter score today above 50. In fact, after diving deeper into why Pinnacle is able to drive such a high net promoter score (of 60 vs. our coverage median at 37 and the big 6 bank median at 33 according to J.D. Power), the three primary reasons include:

1. **Hiring model** of only hiring experienced bankers and technologists
2. **Simplicity** of the company's technology and easy-to-use interface (from a user's perspective). Many of Pinnacle's customers are local companies that do not require or seek advanced technology for their banking needs.
3. **Mistake-free operations.** Pinnacle has dozens of metrics that it tracks internally on a monthly basis that are able to pinpoint areas of improvement.

To this end, Pinnacle uses technology as an enhancing tool that complements in-person interactions between bankers and customers, which helps to create longer-lasting relationships. We note, however, that much of Pinnacle's technology offerings come in the form of partnerships with (and even investments into) fintechs that have a similar value proposition as Pinnacle and leveraging their technology, rather than having in-house programmers build the technology from scratch. Moreover, investments into fintech funds (that invest in a variety of companies that range from early stage to mature stage) can also allow Pinnacle to stay on top of the latest technology and give them some early looks at potential new opportunities.

As a notable example of one of Pinnacle's fintech investments, we point to Apiture, a fintech that is working on digital banking solutions for over 400 banks, insurance companies, and other players in the financial industry. Apiture uses APIs to deliver innovative cloud-native platforms and products to its financial institution customers, in areas including online and mobile platforms that assist customers with processing vendor payments, sending money to friends and family, and enabling mobile check deposits. Apiture also assists financial institutions with the digital onboarding process and allows customers to open a financial account (either through the web or

through a mobile app) in a few minutes, all without ever setting foot in a branch. As for Pinnacle's involvement in Apiture, Pinnacle was one of the participants in a \$20 million fundraising round into Apiture in July 2020 after being a customer of its digital banking offerings for many years. One of the reasons for this investment, rather than simply using Apiture's suite of products, was for Pinnacle to have a much closer relationship with Apiture rather than it being a vendor-like relationship.

With the company achieving one of the highest customer satisfaction scores in the industry, the company's business model is truly unique. Whereas most banks, or companies for that matter, pay incentives based on individual performance, Pinnacle's incentive system is based on the performance of the entire company. While this would appear on paper to be a challenge, the long-term track record of the company tells a different story. In fact, over the past decade, the company has delivered stronger growth than peers while also delivering an above-peer ROTE. This has been accomplished by a lower cost model, somewhat similar to Signature Bank, in which experienced bankers are recruited from larger banks and, over time, not only bring over their prior relationships (and balances) but also get to work to drive market share gains with a fully aligned company behind them helping to deliver best-in-class customer service. As a result, the service levels at Pinnacle are among the highest in the industry (per J.D. Power, the company's NPS is 60 compared to a median of 37 among our coverage universe and 33 for the big six banks). Similar to a First Republic, Silicon Valley Bank, or Signature, for that matter, Pinnacle has created a culture where employees work as a team to drive market share gains via best-in-class service. Moreover, we see Atlanta as a tremendous opportunity for growth at Pinnacle.

In December 2019, Pinnacle announced that it was entering the Atlanta market on a de novo basis with veteran banker Rob Garcia (division CEO for metro Atlanta at Synovus) joining Pinnacle as its Atlanta market president. With Pinnacle using its experience of entering Nashville as a guide for this entry, which will expand the company's footprint across the Southeast, Atlanta now represents Pinnacle's largest market in terms of population size (~6 million) and GDP (~\$400 billion). Additional details on this expansion were subsequently provided on the January 2020 earnings call, including five-year targets of (1) 50 relationship managers, (2) five business-focused offices, (3) full product offering including treasury management, wealth management, mortgage, and SBA, (4) \$3 billion in assets (or about 10% of Pinnacle's total assets), and (5) \$0.03-0.04 EPS investment in 2020 with a breakeven period of ~18 months. Thus far, early results for Atlanta appear very encouraging. Although Pinnacle announced in April that it was reducing its firmwide hiring plans by 40% in 2020, this did not affect the Atlanta expansion with hiring plans for, as the company put it, this "once-in-a-generation opportunity" remaining on track with the first full-service office in Atlanta opening in June 2020. At its one year anniversary, 26 total RMs (out of the planned 50 RM hires) have been onboarded and the hiring pipeline remains full. Moreover, with plans to organically add \$3 billion in assets over the next five years, the Atlanta opportunity should allow Pinnacle to capture additional share across the Southeast from other banks.

With Pinnacle essentially a startup bank in Atlanta today, with ~\$110 million of loans and deposits, there is a significant amount of upside potential to these balances given the numerous opportunities in this high growth market. In fact, contrasted to when the company launched in the year 2000 in Nashville, which had \$18 billion of total market deposits at that time, the company is now entering Atlanta which

currently has \$190 billion of total deposits—or a starting point that is over 10x the initial entry into Nashville. With Pinnacle over the past twenty years growing its Nashville business to \$14 billion today on a de novo basis, we see the opportunity in Atlanta as the biggest opportunity for growth in the company's history, particularly given a service level at Pinnacle that is well ahead of the banks which hold dominant market share in Atlanta today. Moreover, it's interesting to note that despite the company achieving a 17% market share in Nashville built over the past 20 years, given the size of the Atlanta market, *the company would only need to achieve market share in the ~7% range to have a dollar balance of deposits in line with Nashville today.* Even more impressive is that over the very long-term, if Pinnacle were able to capture a similar deposit market share concentration in Atlanta as it currently has in Nashville (~17%), it is not inconceivable that Pinnacle's deposits could exceed \$30 billion in Atlanta alone. While this might be a bit of a stretch goal, with the company bringing to market one of the most unique operating models in the industry as well as peer-leading level of client service, if any bank in our view was positioned to achieve a stretch goal, it would be Pinnacle.

While Pinnacle has created a better mousetrap for taking customers away from larger players, what is also unique to the company is its 49% interest in Bankers Healthcare Group, or BHG (see our BHG deep dive [here](#)). Given that Pinnacle owns less than 50% of BHG, the net earnings contribution from BHG is included in a single line item in Pinnacle's fee income. While this accounting treatment would appear to be favorable to PNFP shareholders, as the contribution to earnings from BHG has risen, the relative valuation of PNFP shares has contracted. We believe the market concerns over the contribution from BHG stem from a unique business model in which BHG originates higher yielding unsecured loans (14% range) mostly to those in the medical field, and then, at least historically, it has sold these loans to a network of 1,200 small banks. Given the combination of these loans being unsecured as well as sold rather than retained on balance sheet, it would appear that the market concerns on BHG are on credit quality as well as a volatile earnings stream tied to a gain-on-sale model. However, the company is transitioning much of BHG's production to an originate-and-hold model, which should result in a much smoother earnings contribution to Pinnacle.

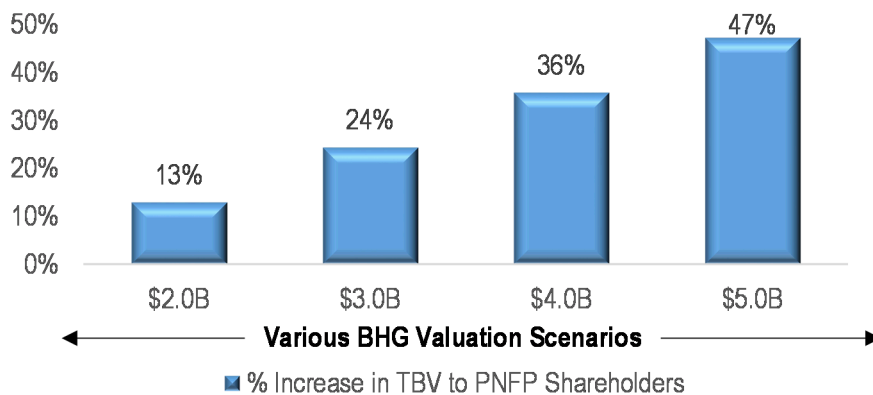
The recent period of economic stress was able to provide a report card on BHG's distribution model as well as underwriting, and thus far results have been much better than we expected. In fact, auction activity levels by downstream partner banks for BHG loans remained solid in 2020, with no signs of a slowdown. This has occurred despite a handful of other direct lenders seeing their funding sources dry up given a decline in their origination activity. With BHG's primary client base being high-income professionals, however, for now it appears to have escaped some of the funding challenges that other direct lenders have seen as downstream banks continue to purchase BHG loans on the belief that the company will continue substituting loans that have gone bad for good loans. Looking forward, on the January earnings call, the company also pointed to another strong year on tap for BHG in 2021 with business flows remaining strong headed into 1Q21.

In addition to another strong year on tap for BHG, Pinnacle's 2021 guidance points to another strong year on tap, with average loans (ex-PPP) expected to grow high-single digits to low-double digits (as the company points to 2021 as likely being an even stronger year in terms of hiring vs. 2020 in which it made 90 hires), average deposits expected to grow mid-single digits, and net interest income expected to

grow high-single digits. Moreover, the workforce has also been re-incentivized to drive a higher launch pad of PTPP income into 2021. We note that the 2021 incentive plan targets (if the asset quality threshold is achieved) are 75% based on the absolute level of EPS and 25% based on the absolute level of PPNR, with participants potentially receiving up to 160% of the targeted payout (historical maximum was 100%) if performance significantly exceeds management's estimates for 2021. The increase in the potential payout would, in part, compensate participants for the reduced payout under the 2020 incentive plan due to the challenging environment. Consequently, with 175 revenue producers hired over the past two years to help drive growth, *we see PNFP as being a coiled spring* with an earnings stream poised to pop in the backdrop of an improved economy. Moreover, although Pinnacle shares in common many attributes with Cullen/Frost (which we view as a good comp), the one item that is not shared is valuation, with PNFP shares trading at a 24% discount to CFR. Beyond the opportunity for a significant re-rating of the shares, there is also the potentially tremendously valuable option to drive shareholder value tied to the company's ambition to take advantage of a tremendous market share gain opportunity in Atlanta with many potential customers described as now looking to switch banks given a poor experience with the PPP program at larger banks. With multiple levers to drive alpha in 2021, we maintain our Overweight rating on PNFP shares with the stock also on the Analyst Focus List.

Although our favorable view on the stock is not contingent on the company's ability to further monetize its investment in BHG, with BHG proving the resiliency of its business model during the pandemic combined with the surge in valuations of private companies as well as proliferation of SPACs, the potential for BHG to exit at some point could prove to be a *significant* value creation event for PNFP shareholders, particularly with the stake in BHG currently only being carried at \$309 million today. The last time BHG was valued in an arms-length transaction was in 2019 when one of the partners sold his stake to the other two partners in a transaction at the time valued at \$1 billion. Given the surge in private company valuations since that point, it's not a stretch to assume that the current value of BHG is *well in excess* of this pre-pandemic valuation.

Potential TBV Benefit to PNFP Shareholders at Various BHG Valuations if BHG Exits



Source: J.P. Morgan estimates. Note: BHG was last valued at \$1B in April 2019.

Estimate Revisions

We are increasing our 2021e and 2022e core EPS estimates from \$5.61 to \$5.77 and \$5.91 to \$6.12, respectively. We are also introducing our 2023e core EPS estimate of \$7.04. We note that in our estimates, we assume the forward curve.

Valuation

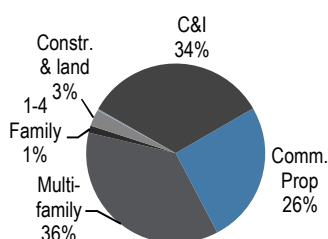
PNFP shares currently trade at 14.4x 2022e EPS, or a 22% premium to peers. We are establishing our December 2022 price target of \$115 (as compared to our December 2021 price target of \$100), which assumes shares trade at 16.3x 2023e EPS, or at a 35% premium to peers. With Pinnacle being well positioned to drive market share gains organically with the Atlanta expansion a tremendous opportunity, we maintain our Overweight rating with PNFP shares on the Analyst Focus List and one of our top picks.

Risks to Rating and Price Target

We believe there are three primary risks to our Overweight rating and price target.

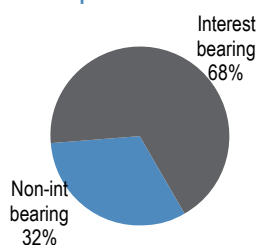
- **Downside: Atlanta MSA expansion.** In December 2019, Pinnacle announced plans to enter the Atlanta market through a de novo expansion. Atlanta has now become Pinnacle's largest market in terms of both population size and GDP. With 26 total RMs hired so far by Atlanta president Rob Garcia (former division CEO for metro Atlanta for Synovus), this market is expected to provide \$3 billion in assets and bring on board a total of 50 relationship managers. However, if this hiring process does not bear fruit or is delayed and Pinnacle does not capture additional market share across the Southeast, balance sheet growth could slow and shares could lag peers.
- **Downside: Loan portfolio concentration.** As Pinnacle is primarily a commercial bank, its loan portfolio is overwhelmingly concentrated in segments such as C&I and CRE (which on a combined basis make up over 70% of the total loan portfolio). Moreover, Pinnacle still has about 22% of total loans in COVID-19 disrupted segments (above peers at 13%). On C&I, should business investments slow, this could result in lower loan demand for Pinnacle. On CRE, should the values of real estate properties (including hotels) decline, this could lead to additional reserves.
- **Downside: Bankers Healthcare Group exposure.** Pinnacle's investment in BHG represented ~18% of total EPS in 2020, after hovering in the 5-15% range per quarter since 1Q15. BHG has escaped many of the funding challenges that other direct lenders have faced in this downturn. With that said, however, should healthcare professionals reduce their demand for business loans, this would reduce the amount of BHG loans that are purchased by downstream banks during the auction process, thereby leading to weaker results at BHG and a lower fee income contribution to Pinnacle, and PNFP shares could underperform peers.

Figure 88: SBNY Loan Mix



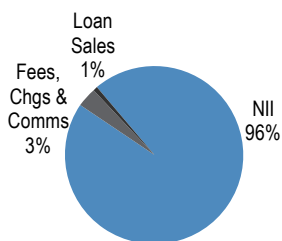
Source: Company reports.

Figure 89: SBNY Deposit Mix



Source: Company reports.

Figure 90: SBNY LTM Revenue Mix



Source: Company reports.

Table 70: SBNY Line Item Estimate vs. Consensus

	JPM	Cons	Diff
Revenue	425	437	-3%
NII	407	414	-2%
Fee Income	18	23	-19%
Expenses	165	166	-1%
LLP	29	32	-8%
Core Net Income	157	162	-3%
Avg. Dil. Shares	56,470	55,288	2%
Core NIM	2.18%	2.22%	-0.04%
Efficiency Ratio	38.89%	38.12%	0.77%

Source: SNL Financial and J.P. Morgan estimates. Note: Consensus is based on SNL mean estimates. Line items may not be comparable.

Signature Bank 1Q21 Preview (SBNY, OW)

Table 71: Estimate Comparison versus Consensus

	1Q21E	2021E	2022E
JPM	\$2.78	\$12.43	\$15.31
Cons.	\$2.85	\$12.04	\$13.89
Diff.	(\$0.07)	\$0.39	\$1.42

Source: Bloomberg Finance L.P. and J.P. Morgan estimates.

Significant First-Quarter Items

• Items to watch out for during 1Q21 earnings:

- Signature's digital asset banking team had a significant quarter of deposit growth in 4Q20, and 1Q21 is expected to be another strong quarter.
- In addition, we look for any color on whether the bank has any updates on whether to provide more services the crypto industry, such as lending.
- Signature has 2.7% of loans on deferral and another 6.6% being provided COVID-19-related modifications (which include deferrals of principal). We look for color on the health of the loans on deferral.
- At a recent conference, it was mentioned that there were two new asset generating teams being formed. We look for updates on progress.

• Incremental updates during 1Q21:

- In February, we provided a deep dive on Signature's digital asset banking team and Signet payments platform. Signature is now a key partner in the crypto ecosystem to enable real-time payments for their clients. [Click here](#) to read more.
- At a recent conference, Signature provided a 1Q21 intra-quarter update: (1) average deposits +\$5B; (2) period-end deposits +\$6B; (3) loans slightly north of \$1B and total could be between \$1.5-2.0B; (4) expect between \$1.5-2.0B in securities growth, but if yields remain high, can be north of \$2.0B.
- In early February, Signature issued 3.5mm shares of its common stock.
- **Prior management outlook:** (1) 2021 asset growth in \$8-16B range; (2) \$1-2B in loan growth per quarter; (3) \$1-2B in securities growth per quarter; (4) Expenses to grow in 14-15% y/y range per quarter; (5) 1Q21 deposit cost in mid-to low-0.30% range; (6) 28% tax rate.

Table 72: Selected Financial Projections (in \$ millions, except EPS)

	1Q21E	4Q20	1Q20	Ann. Chg	Y/Y Chg
Core EPS	\$2.78	\$3.26	\$1.88	-59.9%	47.6%
Net Interest Income	407	395	348	11.9%	16.8%
Fee Income	18	24	14	-96.2%	29.6%
Expenses	165	158	144	19.4%	14.8%
PTPP Income	260	262	218	-2.6%	18.9%
Loan Loss Provision	29	36	67	-68.8%	-55.9%
Pre-tax income	230	226	152	7.8%	51.9%
Taxes	64	53	52	87.5%	23.9%
Net Income	157	173	100	-37.7%	57.4%
Avg Earning Assets	74,511	70,834	50,500	20.8%	47.5%
Average Loans	48,967	47,386	39,551	13.3%	23.8%
Average Deposits	66,990	61,976	41,142	32.4%	62.8%
Net Interest Margin	2.21%	2.22%	2.79%	-1 bps	-58 bps
Reserve/Loan Ratio	1.00%	1.04%	0.87%	-4 bps	13 bps
TCE/TA	6.75%	6.89%	8.90%	-14 bps	-215 bps
ROTE	12.17%	13.80%	8.41%	-162 bps	376 bps

Source: Company reports and J.P. Morgan estimates. Note: Growth rates are linked quarter annualized.

Investment Thesis, Valuation and Risks

Signature Bank (Overweight; Price Target: \$315.00)

Banking Bitcoin: Signature Positioned to Ride the Crypto Wave; Digital Asset Deep Dive; Maintain Overweight and on Analyst Focus List

Over the past several months our inbox has been flooded with questions from investors on the Digital Asset Banking team at Signature, owing to the combination of (1) very strong outperformance of SBNY shares YTD and (2) the disclosure made by the company on its fourth quarter earnings call that deposit balances for its digital asset team had reached \$10B in 2020, which was a 5x increase over the \$2B balance at year-end 2019. Since then, the company provided an update that digital asset deposits rose an additional \$3B in 1Q21 intra-quarter. To this end, we dove much more deeply into understanding this relatively new business at the company it became apparent that the capabilities afforded to Signature via Signet (its proprietary blockchain) had expanded dramatically over the past year, particularly as a new API was launched in June 2020. We must caveat, however, that at least currently the disclosures from Signature on this business are very limited. As a result, much of our learning on the digital asset ecosystem came from Silvergate (not covered by JPM), which is a pure-play in the space. This is not dissimilar at all, however, to how we used HealthEquity in order to better understand HSA Bank at Webster. In our latest deep dive on Signature (to read the report, click [here](#)), we provide a deep dive into the digital asset ecosystem which, quite frankly, we view as a “first look” into how this industry operates with all of us about to learn more on this business real-time as it contributes more and more to Signature’s bottom line (as well as market cap). Maintain Overweight.

The challenge for Signature investors at this stage is likely twofold. First, to understand how this business works. Second, what this business means to Signature shareholders. While our deep dive should provide a relatively good understanding on how the business works, we will share how we view this business from a shareholder value creation perspective. For now, we encourage investors to think of this business as a unique platform for investors (both institutional as well as corporate) to buy and sell crypto currencies (such as Bitcoin) on a real time basis with exchanges (which are also on Signet; or the company’s proprietary blockchain). The goal for any new business at the earliest stage is fairly typical: grow new customers. To this end, the potential for more and more institutional investors as well as corporates to add digital assets into their asset allocation models is substantial. In fact, with noted institutional investors including Bill Miller, Paul Tudor Jones, and Stanley Druckenmiller, all coming out bullish on Bitcoin, the list of institutions participating in the asset class may be poised to grow significantly over time. Moreover, it’s also increasingly likely that corporates start to allocate a small portion of liquid assets into digital asset alternatives with news of Tesla acquiring \$1.5B of Bitcoin helping to drive the digital asset 16% higher on the news. In addition, Tesla also debuted a bitcoin option for buying its cars in the US. In our view, the way to think about the business for Signature is that the business of banking companies in the crypto ecosystem is in *the very first inning* (first batter actually) with a potentially very large runway ahead to acquire new customers as the ecosystem expands. Moreover, as new customers join the network, this could translate into much more significant deposit growth at Signature beyond the \$13B of deposits held today, as well as the opportunity to expand fee revenue from this vertical over time.

While the opportunity for Signature to grow this business is very sizeable (and likely to become the dominant talking point on the stock over the next year), this new venture is not without risks. First and foremost, the interest in digital assets, such as Bitcoin, is directly linked to the value of the asset. As a result, the deposit balances in this business are likely to be correlated to the value of Bitcoin, which is currently the dominant digital currency. In the current environment, where the value of just about all assets are rising, this would appear to be less of a concern. However, investors in SBNY shares need to be comfortable with the risk that *should the price of Bitcoin fall dramatically*, which is something it has done with regularity over the past several years, SBNY's deposit balances (as well as stock price) will likely *also fall under potentially significant pressure*. In fact, as this business becomes better understood by markets and articles are written on "crypto stocks" moving higher or lower, there is a good chance that Signature ends up getting lumped in this bucket over time. An additional risk factor is that growth from this segment could potentially be very episodic, where periods of strong growth could be followed by slow or even declining growth trends. At this current juncture, not only are disclosures from the company relatively limited, but as a new industry the eventual size of this market over time is largely unknown today. For all intent and purpose, this is today largely *a startup in a new industry* operating inside of Signature.

Even considering these risk factors, however, when we look at the possible reward of Signature potentially becoming one of the key banks (if not *the* bank) of the digital asset ecosystem, given the tremendous growth potential of this new industry over time, *we buckle up our seatbelts and go along for the ride*. Keep in mind that the contributions at this stage from this new business are low cost deposits rather than a new lending vertical (although new lending opportunities in the space, including against crypto asset itself could become a possibility). In terms of how to value the contribution from this newer vertical to Signature, this is our perspective. As we learned of the HSA business at Webster we used a sum of the parts to compare the implied valuation of HSA Bank at Webster as compared to pure-play HealthEquity (HQY). What we learned, however, from this exercise was that although the valuation of HSA Bank was well below pure-play HealthEquity, the business continued to trade inside of Webster at a deep discount to HealthEquity for many years and never reached the valuation of its closest comp (HQY). However, with the growth characteristics of the HSA business overall being much stronger than the traditional banking business, our view was (and remains) that as this more valuable business represented more and more of Webster's earnings stream that, in addition to growth, there would be an upward bias on WBS valuation. In a nutshell, this is the approach we encourage investors to take when trying to ascertain the value of this vertical at Signature.

While one could argue that pure-play Silvergate has a market cap of \$3B and \$5B of deposits, and therefore Signature's \$10B of digital asset deposits (as of 4Q20) should be valued at \$6B (or ~50% of SBNY's market cap), we see this argument as a stretch. Particularly given that pure-plays, such as Silvergate as well as HealthEquity, each likely have some degree of takeout premium in their valuation given they are each the only pure-plays in their vertical. With this business likely to be deeply embedded in Signature however, just as is the case with HSA at Webster, while we would expect a favorable valuation contribution from the business we're not willing to extrapolate the valuation of Silvergate to Signature. However, as the market better understands this business at Signature over time combined with the high market valuation of Silvergate relative to its deposits, we see this as a strong powerful

catalyst for SBNY shares over time. Even though we see it as a stretch to value this business in line with pure-play Silvergate, this business is likely to be more highly valued by the market than the traditional banking business. As a result, given the ability of this unique (and highly valued) business at the company to grow at a pace that is multiples above the rest of the bank and, over time, represent a rising contribution to total earnings, not only do we maintain our Overweight rating on Signature but we also have SBNY shares on the Analyst Focus List as a growth idea (with SBNY in the third spot in our pecking order after FRC and SIVB).

Outside of the recent focus on Signature's exposure to the digital asset industry, investors also continue to focus on its concentration of commercial real estate loans. Not to mention that with 2.7% of loans on deferral and another 6.6% being provided COVID-19 related modifications (which include deferrals of principal), many investors look at this near 10% of loans receiving a deferral as a reason to avoid SBNY shares. We take a contrarian view. While many investors are aware that our mantra with bank stocks is always credit, credit, credit, with new tools afforded to the industry along with the pandemic, our game plan needs to be adjusted. Specifically, with the pandemic causing economic lockdowns, banks are permitted to allow borrowers to defer principal payments until a period that the economy is again reopened. With Signature being run by a savvy (and shareholder as well as customer friendly) management team the company is offering all of these tools to help its customers. While some investors may be concerned that post the period of loans being on deferral a more significant credit challenge could emerge for Signature, we would make the important distinction that a credit challenge is typically more problematic for a bank stock when it is forward looking rather than backward looking.

For example, when energy plunged several times over the past few years bank stocks with exposure to energy typically sell-off sharply, with the pressure on energy extrapolated to the bank's loan portfolio. To this end, any increases in NPLs for example that take place while energy prices are depressed are typically magnified in the bank's stock price given that the cost of equity is lifted. However, once energy prices eventually recover, as banks continue to still work through legacy credit issues in this portfolio, with any increase in NPLs at that point being more viewed as "one-offs" rather than systemic of what to expect across the broader portfolio, the stock typically yawns in response to the increase in NPLs. Following this logic, it is our view that once the loan deferral periods end at Signature, assuming that economic growth has returned, any potential problems will at that point be viewed as one-offs. As a result, the key view that one needs to have in order to buy SBNY shares is whether or not they believe the economy, particularly in NYC, will have recovered or will be in the process of recovering in 2H21 and 1H22. In our view, we see substantial pent up demand for everything and see the doors on the economy bursting open in 2H21 with the key inflection point being after herd immunity from COVID-19 has been reached.

Rather than our call on Signature simply being that this is a valuation re-rating opportunity, it's also one of the strongest growth banks in the industry. As a result, while we "wait" for the economy to eventually reopen, the company is posting solid growth of intrinsic value with each passing quarter. In fact, Signature reported very strong balance sheet growth trends in 4Q20 to conclude the year. Putting numbers behind this impressive growth, period-end deposits rose by \$23B or 57% y/y and was led by the digital banking segment (+\$8B y/y and has over \$10B in deposits as of

4Q20). In addition to this growth, other segments including specialized mortgage banking, venture banking, and West Coast also contributed to the year's deposit growth. Coupling this strong deposit growth with period-end loans rising by 25% y/y in 2020, the strong balance sheet growth should continue in 2021 with the primary driver for loan growth being the fund banking team (+\$1-1.5B per quarter in 2021), West Coast (traditional C&I), Signature Financial, venture banking, and two verticals that are still in the onboarding process (and should be additive to growth in 2H21). Combining all of these tailwinds with additional new team hires in early 2021, on the recent earnings call the company noted that full year assets could increase by \$1-2B per quarter (each for loans and securities) which would equate to \$8-16B of full year asset growth in 2021. Note that this easily exceeds Signature's historical guidance of full year asset growth in the \$3-5B range prior to the roll out of these new verticals. The bottom line is that while most banks are pulling back on growth and focusing efforts on government programs such as PPP lending, while this is an area that Signature is certainly active in, the company continues to advance the transformation now underway with new verticals and team hires, including the West Coast expansion. This shows Signature's differentiated business model and its ability to grow and diversify its business.

In terms of the secret sauce from the company in the digital age of banking, the bank is different from the majority of the banks in our coverage in that it is solely commercial-focused and the primary driver of customer satisfaction has been its relationship model. In fact, one of the cores of Signature's business model in hiring veteran bankers from other institutions is to allow them to serve their customers under the Signature ecosystem. This relationship model provides a consistent and direct feedback loop on direct client needs via the bankers and the relatively flat organizational structure at the bank allows banker access to top management and key groups to address customer needs and provide customized solutions. This focus on commercial also means less demand for technology as compared to consumer clients given the relationship managers are directly available to their clients to solve their problems. With that said, Signature is taking a targeted approach to providing new technology solutions to improve their customers' experience. A key example is in the bank's Signet payments platform, which was the first of its kind offered by a bank, and leverages blockchain technology to allow customers to send payments to one another in US dollars 24/7. This is a game-changing experience for customers looking to make or receive payments given that traditional corporate payment networks like SWIFT or ACH can take several days and are generally not available on weekends. Signature Bank continues to be one of the best positioned banks to drive outsized growth due to the bank's model of acquiring veteran bankers and combining this with targeted technology initiatives—including one to roll out tools for its bankers to be more effective in serving its customers.

Even with the strong growth from the company, the focus from investors continues to be on Signature's exposure to NYC commercial real estate and concerns over the health of the market and credit quality. With the company able to defer payments on challenged loan segments on a longer-term basis (per the CARES Act), we see this as a bridge to reach an eventual vaccine and return to normalcy in NYC. Having witnessed many cycles in NYC, the time to buy has been when the herd is running in the other direction. With a valuable tool in the company's back pocket called longer-term deferrals, we see a choppy few quarters on the credit front running parallel with robust balance sheet growth and, as a result, the emergence of a much more valuable franchise over time—particularly as the West Coast is more fully built out. As a

result, with the combination of multiple levers to create shareholder value along with a credit risk overhang lifting over time, Signature is one of our top picks.

Estimate Revisions

We are increasing our 2021e and 2022e core EPS estimates from \$11.79 to \$12.43 and \$13.52 to \$15.31, respectively. We are also introducing our 2023e core EPS estimate of \$18.42. We note that in our estimates, we assume the forward curve.

Valuation

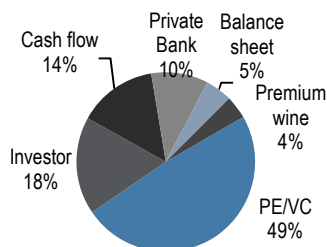
SBNY shares currently trade at 14.0x 2022e EPS, or a 19% premium to peers. We are establishing our December 2022 price target of \$315 (as compared to our December 2021 price target of \$250), which assumes shares trade at 17.1x 2023e EPS, or at a 41% premium to peers. While it's still early, Signature's unique digital banking segment is positioned to capitalize on the crypto wave, allowing for significant growth (and contribution) from a highly valued segment. We maintain our Overweight rating and keep SBNY shares on the Analyst Focus List.

Risks to Rating and Price Target

We believe there are three primary risks to our Overweight rating and price target.

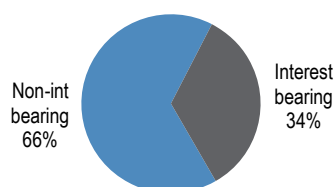
- **Downside: Volatility of digital assets.** Digital assets remain highly volatile with the interest in digital assets, such as Bitcoin, linked directly to the value of the asset. In fact, over the past year, the list of institutions adopting digital assets has been steadily increasing. With Bitcoin currently the dominant digital currency, should interest in the digital asset wane and the price of Bitcoin and other digital assets fall drastically, SBNY's stock price and deposit balances will likely come under significant pressure.
- **Downside: Deposit growth from new team hires.** On the 4Q20 earnings call, Signature Bank noted that it plans to hire 10-15 new teams in early part of 2021, which when coupled with existing asset-growth verticals and two additional verticals in the pipeline, should lead to assets increasing in the \$8-16B range in 2021. However, should asset-generation from the new team hires remain below expectations for the year, it could lead to Signature Bank falling at the lower end or below the guided asset growth range leading to underperformance in SBNY shares.
- **Downside: NYC Commercial Real Estate (CRE).** SBNY has a CRE concentration (including multifamily and construction loans) totaling ~60% of total loans. The majority of this exposure is in NYC, and with the pandemic negatively impacting the NYC economy, a weak economic recovery in NYC in 2H21 and 1H22 could lead to credit concerns emerging from the CRE portfolio which, in turn could cause SBNY shares to underperform peers.

Figure 91: SIVB Loan Mix



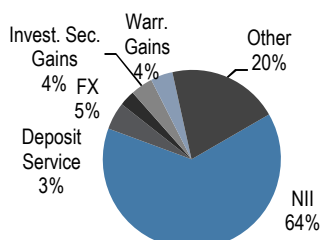
Source: Company reports.

Figure 92: SIVB Deposit Mix



Source: Company reports.

Figure 93: SIVB LTM Revenue Mix



Source: Company reports.

Table 73: SIVB Line Item Estimate vs. Consensus

	JPM	Cons	Diff
Revenue	959	1,013	-5%
NII	647	626	3%
Fee Income	311	388	-20%
Expenses	584	534	9%
LLP	39	50	-21%
Core Net Income	430	294	46%
Avg. Dil. Shares	54,466	52,487	4%
NIM	2.26%	2.34%	-0.08%
Efficiency Ratio	47.70%	55.68%	-7.97%

Source: SNL Financial and J.P. Morgan estimates. Note: Consensus is based on SNL mean estimates. Line items may not be comparable.

SVB Financial 1Q21 Preview (SIVB, OW)

Table 74: Estimate Comparison versus Consensus

	1Q21E	2021E	2022E
JPM	\$7.89	\$23.00	\$25.00
Cons.	\$5.94	\$22.75	\$23.11
Diff.	\$1.95	\$0.25	\$1.89

Source: Bloomberg Finance L.P. and J.P. Morgan estimates.

Significant First-Quarter Items

- Items to watch out for during 1Q21 earnings:**
 - Very positive 1Q21 outlook (as of 3/16) includes: (1) Average loans: \$45.5-46.5B; (2) Average deposits: \$109-111B; (3) Net interest income: \$640-645mm; (4) NIM: 2.2-2.3%; (5) NCOs: 0.8-0.9% and includes NCOs from the capital call fraud issue, exposure up to \$70mm; (6) Core fee income: \$145-155mm; (7) Leerink revenue: \$145-155mm; (8) Warrant/investment gains: \$230-300mm; (9) Expense: \$575-595mm; (10) Tax rate: 26-28%. View our takeaways report [here](#).
 - In 4Q20, Silicon Valley Bank added another 1,500+ new clients, client fund inflows totaled \$31B, and capital call loans surged at a 122% annualized pace. We will look for the pace with which each of these trends can be sustained.
- Incremental updates during 1Q21:**
 - During the quarter, we met with management, venture capital and private equity professionals, and several startups and hosted our 7th tour of Silicon Valley. View our takeaways report and IPO activity deep dive [here](#).
 - On 3/22, SIVB issued \$1B of common stock at \$500 per share.
 - On 2/26, SIVB disclosed that it became aware of potential fraudulent activity related to a capital call line of credit (isolated relationship) with total potential credit exposure of up to \$70mm. Click [here](#) for our note with more detail.
 - On 2/2, SIVB issued \$750mm of perpetual preferred stock at 4.1%.
 - On 2/2, SIVB issued \$500mm of senior debt at 1.8% due in 2031.
 - On 1/4, SIVB announced its acquisition of Boston Private (BPFH) which will have a combined \$19B in AUM. View our takeaways report [here](#).
- Prior management guidance (Assuming no rate actions):** For 2021, (1) Average loans in mid-twenties; (2) Average deposits mid-forties; (3) Net interest income in low-twenties; (4) NIM between 2.20-2.30%; (5) NCO ratio between 0.20-0.40%; (6) Core fee income (ex-Leerink) comparable to 2020; (7) Expense including Leerink to increase low-single digits; (8) Between 26% and 28%.

Table 75: Selected Financial Projections (in \$ millions, except EPS)

	1Q21E	4Q20	1Q20	Ann. Chg	Y/Y Chg
Core EPS	\$7.89	\$8.08	\$2.55	-9.2%	NM
Net Interest Income	647	596	528	34.2%	22.7%
Fee Income	311	299	242	15.5%	28.6%
Expenses	584	616	399	-20.8%	46.1%
PTPP Income	640	557	432	59.8%	48.2%
Loan Loss Provision	39	-38	243	NM	-83.8%
Pre-tax income	595	541	185	40.0%	NM
Taxes	161	148	49	34.0%	NM
Net Income	430	388	132	42.8%	NM
Avg Earning Assets	116,358	98,832	68,111	70.9%	70.8%
Average Loans	45,925	41,525	33,661	42.4%	36.4%
Average Deposits	109,963	92,436	61,808	75.8%	77.9%
Net Interest Margin	2.26%	2.40%	3.12%	-14 bps	-86 bps
Reserve/Loan Ratio	0.79%	0.99%	1.53%	-20 bps	-74 bps
TCE/TA	6.85%	6.66%	8.70%	20 bps	-184 bps
ROTE	20.49%	22.69%	8.50%	-219 bps	1200 bps

Source: Company reports and J.P. Morgan estimates. Note: Growth rates are linked quarter annualized.

Investment Thesis, Valuation and Risks

SVB Financial Group (*Overweight; Price Target: \$650.00*)

2020 Was a Remarkable Year for Silicon Valley Bank But 2021 Likely Even Stronger With \$3+ Trillion of Dry Powder on the Sidelines; Maintain Overweight; TOP IDEA

We recently hosted our 7th tour of Silicon Valley where we met with many disruptors as well as venture capital and private equity professionals (see our takeaways note and IPO Activity Deep Dive [here](#)). On an overall basis, the VC/PE firms we met with largely remain bullish with deal activity as busy as ever even with a backdrop of very high private company valuations. Importantly, however, one of the common themes from essentially every startup founder and professional we met with was the importance of the relationship and service levels that their banker (at either Silicon Valley Bank or First Republic) provides, even through difficult times. More specifically to Silicon Valley Bank, the company today banks 50% of all UC-backed US tech and life science companies and 68% of all US VC-backed companies that completed an IPO in 2020, reaffirming its stance as *the* bank of the innovation economy. More than just providing startups and large private companies with traditional banking products, however, Silicon Valley Bank has become a one-stop shop for its clients, such as offering capital markets products to healthcare clients (through Leerink) and providing startup founders with personal banking products (a mortgage or wealth management services). By offering a wide scope of financial products, clients are less likely to use multiple institutions for their banking needs, which helps Silicon Valley Bank expand the relationships its bankers have with clients. As a result, the network effect that Silicon Valley Bank provides to startup founders is an important element not just for business banking needs but also for personal banking needs, thereby deepening the overall banker-client relationship.

Consequently, while 2020 marked one of the best years, if not the best year ever, for Silicon Valley Bank, with total client funds increasing 51% y/y and period-end assets growing 63% y/y (while maintaining pristine credit quality), the 1Q21 update shows no signs of these strong trends slowing down. In fact, the update provided on March 22 has signaled that continued strong fundraising and exit activity has driven stronger-than-expected deposit growth (the company expects full quarter 1Q21 average deposits at \$109B-\$111B which equates to a 19% *unannualized* increase vs. 4Q20). The recent overall strength in deposit growth has come from clients across all segments engaging in liquidity events including IPOs, secondary offerings, and SPACs, which have all been at record high levels in the past year. In fact, with short-term rates anchored near zero and expected to remain at the current level for years, alternatives will likely continue being key beneficiaries. With that said, however, with the current macro backdrop and abundance of liquidity unlikely to be altered anytime soon, it appears the exit markets will keep partying as if it's 1999. The bottom line: we believe Silicon Valley Bank remains one of the top positioned banks in the US to continue driving significant intrinsic value for shareholders.

Although the current macro backdrop within the Silicon Valley ecosystem is benefitting from the incredible injection of liquidity from the Federal Reserve into markets, as well as short-term rates being near zero, the macro environment still remains somewhat uncertain. As a result, we believe investors should be concentrating positions among the banks that offer a combination of (1) the strongest management teams, (2) relatively safe balance sheets, and (3) abundant capital.

Silicon Valley Bank handily checks each of these boxes. Moreover, the biggest misperception of the company is that with this being the bank of the innovation economy, it must be “risky” when it comes to its loan portfolio. While this certainly was the case in the early days of the company, over the past decade, a marked transformation of the company has taken place. In fact, we see the company as being one of the lowest risk banks that we cover. While this point might be counterintuitive, consider that (1) nearly 40% of the company’s earning assets are in securities (primarily US Treasuries and agency backed securities), (2) over half of its loan portfolio consists of capital call loans (where there have been zero losses since inception), and (3) jumbo mortgages make up 11% of loans, which have historically been a highly resilient asset class owing to low LTVs.

Generally speaking, the risk in the company’s loan portfolio is largely tied to early stage loans, which represent 3% of total loans or 2% of total assets. With early stage loans typically seeing surging loss rates during periods of stress (5-10% NCO rate on this book is almost expected), with these loans being replaced by capital calls and jumbo mortgages, the company has moved in many ways from one extreme to the other with higher risk loans being replaced with very low risk content loans. In fact, we expect NCOs from capital calls and jumbo mortgages to remain de minimis with these two portfolios alone representing more than two-thirds of the company’s total loan portfolio. In terms of the reserve on the capital calls and jumbo mortgages (Private Bank), they stand at 0.18% and 1.09%, respectively, which compares with a total reserve of 0.99%.

In addition to a strong growth backdrop for the company, it’s also sitting on a mountain of capital (CET1 was 11.0% as of MRQ), its ROTE is expected to remain well above peers, and today it is operating with the strongest management team, in our opinion, in the history of the bank. We published a secret sauce report on the company (link [here](#)) and concluded that the company is well positioned to remain “the” bank of the innovation economy. Within that report, we expand our analysis and look at the tremendous opportunity overseas. Not only do we conclude that the secret sauce is fully transportable around the globe, but contrasted to markets in the US, we also find a much more limited set of competitors overseas. While the US is likely to remain the primary driver of intrinsic value of the company over the next several years, with Silicon Valley Bank having ~20% of deposits overseas and with ~50% of VC investments now outside of the US, we see the international operations as having the potential to add more than a decade to the long-term growth story of the company.

From a technology point of view, to help support its very unique client base and drive overall customer satisfaction scores higher, Silicon Valley Bank offers a variety of products to its differentiated niche of startup clients in areas including global payments, foreign exchange, API banking, and an idea-generation community to reduce friction points and free up time for entrepreneurs to run their businesses. In fact, one of the areas around the banking experience that is important to customers as well as employees, as we learned during our conversations with the company, is around the onboarding process with the goal of this process to be as smooth as possible. To this end, as an example of continuing to create a frictionless experience for clients, Silicon Valley Bank is rolling out a fully digitized client onboarding platform to remove some of the administrative areas from the onboarding process. Moreover, to help enhance the experience for its bankers, Silicon Valley Bank has leveraged its relationship with nCino to roll out a new credit onboarding platform. In

addition to these onboarding processes, another area of ongoing focus on technology is on the cloud strategy. While Silicon Valley Bank's cloud efforts are still in the early stages, a continued migration to the cloud can provide the company with a variety of advantages including (1) lower infrastructure costs, (2) usage of APIs that already exist on the cloud, and (3) a more robust testing environment for new products and features. Ultimately, combining Silicon Valley Bank's strong network effect with reducing friction points to help free up time for startup entrepreneurs to run their businesses, Silicon Valley Bank remains a dominant player in the regional banking industry which should lead to years of continued growth.

SIVB shares trade at 18.8x 2022e EPS, or a 29% discount to the Russell 1000 Growth Index. We would note that while the company trades at a notable premium to other regional banks, we consider very few to be true peers of the company. In fact, while we expect it to be a challenge for peer regional banks to deliver any level of PTPP income growth moving forward, we see SIVB as being uniquely positioned to deliver double-digit growth (more likely visible in 2022 as the level of gains come back down to earth in 2021). Helping to support a foundation for strong PTPP income growth is that there is currently \$3+ trillion of dry powder on the sidelines from VC and PE firms on a global basis. As companies look to recapitalize in 2021, PE firms in particular are in a position to pounce with Silicon Valley Bank potentially having one of best growth years ever. In addition, if the yield curve does continue to steepen, the company would likely augment strong balance sheet growth with NIM expansion given an outsized (and short duration) securities portfolio. While there are risks that the environment within the Silicon Valley ecosystem has gotten somewhat frothy, with the strongest version of SIVB in its history to navigate whatever might lie ahead, we continue to see this as one of the best buys in our coverage universe today. We maintain our Overweight rating with SIVB one of our top picks.

Estimate Revisions

We are increasing our 2021e and 2022e core EPS estimates from \$20.13 to \$23.00 and \$23.72 to \$25.00, respectively. We are also introducing our 2023e core EPS estimate of \$31.24. We note that in our estimates, we assume the forward curve.

Valuation

SIVB shares currently trade at 18.8x 2022e EPS, or a 29% discount to the Russell 1000 Growth Index. We are establishing our December 2022 price target of \$650 (as compared to our December 2021 price target of \$550), which assumes shares trade at 20.8x our 2022e EPS, or an 11% discount to the Russell 1000 Growth Index. On top of the company sitting on a mountain of capital (CET1 was 11.0% as of MRQ), its ROTE is expected to remain well above peers, and the company is today operating with the strongest management team, in our opinion, in the history of the bank. We maintain our Overweight rating with Silicon Valley Bank one of our top ideas.

Risks to Rating and Price Target

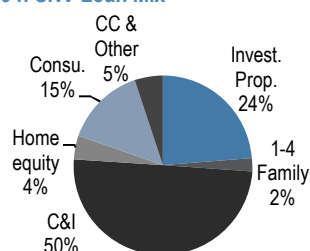
We believe there are three primary risks to our Overweight rating and price target.

- **Downside: Bank of the innovation economy.** Silicon Valley Bank demonstrated alongside 4Q20 results that it continues to operate from a position of strength and remains on offense, despite the spread of the pandemic and the exit markets slowing down earlier in the year, allowing it to add to its dominant market share

position of being the bank for startups and private companies in the innovation economy. Should Silicon Valley Bank slow the pace of its investments and see a decline in its market share of banking the innovation economy, this could lead to underperformance in the shares.

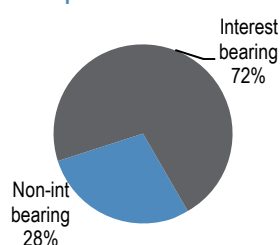
- **Downside: Flow of capital with \$3T+ of dry powder on the sidelines.** With Silicon Valley Bank being the bank in our coverage most levered to the tech and life science sector, it is poised to benefit from private equity and venture capital firms sitting on a record \$3T+ stockpile of dry powder. With it historically taking a quarter or two for this capital to start flowing, coupled with reduced private company valuations, Silicon Valley Bank is well positioned to ride this wave as capital starts to flow. However, if the pace of private capital flow is extended beyond a few quarters, this lower level of activity could result in shares underperforming peers.
- **Downside: Early stage losses.** The risk in Silicon Valley Bank's loan portfolio primarily sits in early stage loans (3% of total loans or 2% of total assets). With early stage NCO rates of 5-10% almost expected, the company has a 5.83% reserve against this portfolio, which appears sufficient compared to the ~6% average early stage NCO ratio during 2008-2010. Should the level of early stage losses increase materially, shares could underperform peers.

Figure 94: SNV Loan Mix



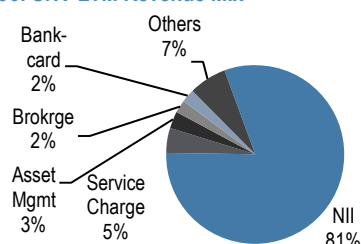
Source: Company reports.

Figure 95: SNV Deposit Mix



Source: Company reports.

Figure 96: SNV LTM Revenue Mix



Source: Company reports.

Table 76: SNV Line Item Estimate vs. Consensus

	JPM	Cons	Diff
Revenue	487	484	1%
NII	377	381	-1%
Fee Income	110	102	8%
Expenses	268	272	-1%
LLP	32	16	NM
Core Net Income	131	137	-5%
Avg. Dil. Shares	148,725	148,592	0%
NIM	3.09%	3.14%	-0.05%
Efficiency Ratio	55.09%	56.19%	-1.10%

Source: SNL Financial and J.P. Morgan estimates. Note: Consensus is based on SNL mean estimates. Line items may not be comparable.

Synovus 1Q21 Preview (SNV, N)

Table 77: Estimate Comparison versus Consensus

	1Q21E	2021E	2022E
JPM	\$0.88	\$3.54	\$4.00
Cons.	\$0.94	\$3.64	\$3.84
Diff.	(\$0.06)	(\$0.10)	\$0.16

Source: Bloomberg Finance L.P. and J.P. Morgan estimates.

Significant First-Quarter Items

- Items to watch out for during 1Q21 earnings:**
 - The 2021 outlook calls for revenue to decline in the 1-4% range, which includes a normalization of mortgage banking. While we are encouraged by the investments in digital that Synovus is making (which have contributed to an above-peer NPS of 46 vs. peers at 37), we will look for signs that these actions begin to translate into a more favorable revenue growth profile.
 - Synovus noted at a recent conference that loan pipelines for larger-sized companies have not yet increased to pre-pandemic levels due to high levels of liquidity sitting on those borrowers' balance sheets. We will be on the lookout for the implications this could have on loan pipelines and loan growth.
 - At a recent conference, Synovus added \$25mm to the pretax benefit by the end of 2022 for Synovus Forward, which includes automation and the use of robotics to reduce back office expenses. We will watch for any updates to the revenue and expense synergies targets and if any targets.
- No incremental updates during 1Q21.**
- Quick take on expected fundamental trends in 1Q21:**
 - Core EPS:** We forecast core EPS of \$0.88, \$0.06 below consensus.
 - Prior management guidance:** (1) Period-end loans (ex-PPP) to grow 2-4% in 2021; (2) 2021 revenue to decline -1-4%; (3) Modest downward pressure on net interest income (ex-PPP); (4) 2021 fee revenue down y/y; (5) 2021 mortgage revenue down 40-50%; (6) 2021 adjusted expenses to decline -2-5%; (7) 1Q21 NCOs similar to level in 2H20; (8) CET1 ratio at higher end of 9-9.5%; (9) Authorized \$200mm in buybacks but unlikely in 1Q21; (10) 23-25% tax rate.

Table 78: Selected Financial Projections (in \$ millions, except EPS)

	1Q21E	4Q20	1Q20	Ann. Chg	Y/Y Chg
Core EPS	\$0.88	\$1.08	\$0.21	-74.1%	NM
Net Interest Income	377	387	374	-9.9%	0.8%
Fee Income	110	112	99	-9.2%	10.5%
Expenses	268	272	269	-6.1%	-0.1%
PTPP Income	219	227	205	-14.0%	6.7%
Loan Loss Provision	32	11	159	NM	-80.1%
Pre-tax income	184	187	42	-7.5%	NM
Taxes	44	37	4	80.1%	NM
Net Income	131	142	30	-30.5%	NM
Avg Earning Assets	49,421	49,524	44,934	-0.8%	10.0%
Average Loans	37,485	38,289	37,225	-8.4%	0.7%
Average Deposits	45,291	45,974	38,687	-5.9%	17.1%
Net Interest Margin	3.10%	3.12%	3.37%	-2 bps	-27 bps
Reserve/Loan Ratio	1.58%	1.55%	1.29%	3 bps	29 bps
TCE/TA	7.90%	7.66%	7.94%	24 bps	-4 bps
ROTE	12.79%	16.00%	3.34%	-321 bps	945 bps

Source: Company reports and J.P. Morgan estimates. Note: Growth rates are linked quarter annualized.

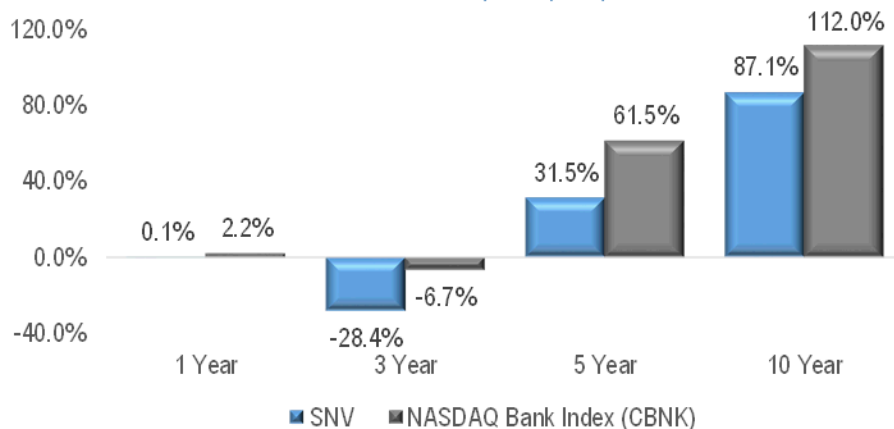
Investment Thesis, Valuation and Risks

Synovus Financial Corp. (Neutral; Price Target: \$52.00)

While We Are More Bullish on SNV, We Wait for the Revenue Engine to Start Up; Stock Remains on Our Shopping List; Maintain Neutral

While we are more bullish about the direction of regional bank stocks this year, the one item keeping us from moving to an Overweight rating on SNV is that we are waiting for signs for the revenue engine to start up, which in our view is the key towards turning this stock into an outperformer. In fact, on the January earnings call, the company's 2021 outlook called for revenue to decline in the 1-4% range (in part tied to a normalization of mortgage banking). While management also noted on the call that Synovus should be able to deliver positive operating leverage in 2021, we must have missed the memo when this became the key measure of a method to create long-term value for shareholders. In fact, quite the contrary, we view this myopic view on positive operating leverage (with is also favorably viewed by the sell-side) as the wrong measure. Case in point, Synovus has delivered positive operating leverage for most of the past decade with the end result being a stock that has underperformed peers by a decent margin over the past 3, 5, and even 10 years.

SNV Stock Return Performance vs. Peers over One, Three, Five, and Ten Year Horizon



Source: Bloomberg Finance L.P.

Any bank across the industry can deliver positive operating leverage. The formula is actually quite simple: cut expenses. Not paying proper incentive comp, not investing in infrastructure, and not investing in the customer experience are all “levers” which are easily pulled. While the market may respond favorably over the short-run, over the long-run, however, this will likely be a money-losing endeavor for shareholders as revenue growth either disappoints, or to compensate, the bank offers the best deal in town on loans and shows the growth with this strategy then revealing itself in a down credit cycle. With all of that said, however, Synovus remains a stock on which we are open to turning more bullish because, in our view, this company is making very smart strategic decisions which include a significant investment into the franchise. Moreover, contrasted to the Synovus that had a very challenged credit experience during the financial crisis, owing to a concentration of land development loans, this management team appears very savvy and not likely to take unnecessary risks simply to show loan growth. Rather, this management team is looking to win

new business by offering its customer a superior experience. To this end, early results are already paying dividends with the company having a net promoter score of 46 versus peers at only 37. Not to mention that in the specific markets where Synovus competes, it's head and shoulders above some of its larger competitors (including BofA with an NPS of only 29 and Truist with an NPS of 36).

Best we can tell from the outside, Synovus could emerge as one of the toughest competitors in the Southeast and positioned to deliver above peer growth and, most importantly, without taking undue risk. Not to mention that with the company having bolstered its franchise post the FCB Financial acquisition, it should also have a tailwind from relatively healthy markets. While we like the matchup of Synovus in its local markets, however, we continue to wait on the sidelines for all of the efforts underway at the company to start translating into superior top-line growth prospects. While the market (and sell-side) are enamored by "narratives" such as cost cutting and share buybacks, we see the starting up of the revenue engine as the key for this historical underperformer to transform into an outperformer. To this end, with the company guiding to expected adjusted revenue growth in the -1% to -4% range for 2021, we continue to wait on the sidelines for a revenue pivot to take shape. While we maintain our Neutral rating, however, Synovus remains on our shopping list.

After conducting meetings on client experience for the vast majority of banks in our coverage universe, one that surprised us was Synovus. We've covered the stock for many years and, although the company has always had strong roots and a competitive advantage being connected to the markets being served, the company seems to have a clear roadmap on how to transform this strategy in the digital age into one that embraces customer relationships but with supporting employees and customers with a modern product and service set that is heavily geared toward becoming a key advisor for customers. Moreover, outside of organically growing existing relationships, Synovus has also been a destination for new talent—with some new teams joining following recent bank M&A transactions. To this end, Synovus uses technology as a *channel* that complements face-to-face relationships and helps to build trust between a banker and a customer as the banker works to (1) provide financial advice, (2) craft customized solutions, and (3) deliver a financial plan to a customer, which all ultimately leads to driving higher customer satisfaction scores.

With technology viewed as an enabler that helps to improve the human relationships that bankers have with their customers, the company recognizes that simply offering products that are comparable to the rest of the industry is not sufficient in an industry where some customers may have dozens of different banks to choose from for their financial needs. Rather, there are three areas related to technology that Synovus focuses on to improve the overall customer experience:

1. **Cut the cycle time:** reduce the amount of time it takes for customers to perform certain tasks, which provides to customers immediate gratification. For example, if a bank is at a point where a deposit account can be opened in three days, try to reduce this opening process down to two days. Reducing the cycle time is a critical focus point at Synovus.
2. **Self-service options:** providing customers the right technology that allows them to perform financial tasks through their desired method (give customers optionality through a branch, ATM, and a mobile platform). Choice and ability is important to customers.

3. **Touchpoints for mortgage application process:** at Synovus, about 60% of the company's mortgage applications now go through Blend Labs, a fintech firm that simplifies the mortgage application process. Not only does Synovus utilize the Blend Labs platform, which makes it easier for customers to fill out and submit mortgage applications, but the company also adds an outbound call from a mortgage loan officer and a servicing representative (called the emotional call of delight). These outbound calls are done to ease customers' nervousness, which is typical as they are filling out the paperwork for a mortgage application. These outbound calls, combined with the digital mortgage application process through Blend Labs, create just the right level of personal touch between Synovus and customers that help to drive an improved customer experience.

With different customer segments seeking different financial solutions, it's important to understand the unique situations that customers are involved in. For example, retirees may be looking for wealth management products, savers may be looking for budgeting tools, and commercial clients might be seeking debt capacity models based on their underlying company's financial position. As a specific example of an achievement on the commercial side, Synovus had a great deal of success with rolling out the PPP program to its commercial customers as the company already had the technology infrastructure in place to be able to accept PPP applications quickly after the program was launched, allowing it to achieve success with the PPP program (with 70 new relationships onboarded in wholesale banking and 2,000 total customers onboarded from PPP round 1). Looking ahead, one area of focus to further improve customer satisfaction scores is the bank's ability to leverage data and analytics to proactively offer solutions that can help customers achieve their financial objectives, which can help Synovus capture additional business. Moreover, the usage of data and analytics can help the company enhance its relationship model with technology playing a critical role in helping to successfully execute this model to drive overall growth at the company.

While this all sounds good on paper, however, what we wait for next from the company is an intense focus on improving the client experience to translate into increased market share gains and top-line growth. Layering each of the revenue and expense guidance for 2021 into our forecast, we estimate Synovus' full year 2021 PTPP income growth to be flattish. While the Synovus Forward initiative, which is estimated to generate \$100mm of incremental pretax income by 2021 and an additional ~\$100mm by 2022, could alter the trajectory for PTPP income growth, this will likely take several quarters to become a material contributor to the bottom line. While the expense opportunities may be recognized over the near-term, it will take some time for the revenue opportunities to be realized and contribute to the bottom line. With that said, it appears that it won't be until late 2021 (or even 2022) until Synovus's ongoing initiatives start translating into material revenue growth acceleration. As a result, we maintain our Neutral rating on SNV shares.

Estimate Revisions

We are increasing our 2021e and 2022e core EPS estimates from \$3.43 to \$3.54 and \$3.73 to \$4.00, respectively. We are also introducing our 2023e core EPS estimate of \$4.70. We note that in our estimates, we assume the forward curve.

Valuation

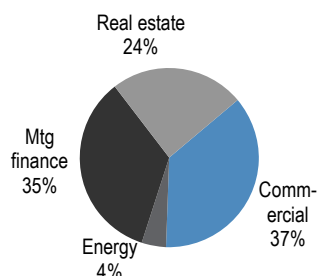
SNV shares currently trade at 11.3x 2022e EPS, or a 4% discount to peers. We are establishing our December 2022 price target of \$52 (as compared to our December 2021 price target of \$43), which assumes shares trade at 11.1x 2023e EPS, or at a 9% discount to peers. Although we are big fans of the long term direction Synovus is headed, with revenue growth acceleration likely being a late 2021 or even a 2022 event, we remain on the sidelines for a better entry point. Maintain Neutral.

Risks to Rating and Price Target

We believe there are two primary risks to our Neutral rating and price target.

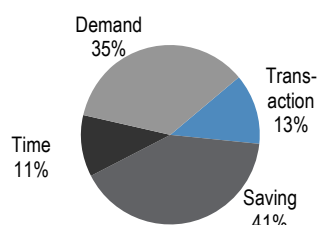
- **Upside/Downside: Synovus Forward and revenue initiatives.** In September 2019, the company hired Boston Consulting Group to review over 20 initiatives, some of which will help drive incremental revenue growth, that are part of the Synovus Forward plan to generate \$100mm of incremental pretax income by 2021 and an additional ~\$100mm by 2022. If Synovus is able to accelerate the pace at which revenue is recognized from these streams, shares could react favorably. However, if the pace at which these new revenue opportunities are recognized in the run-rate is delayed, particularly if any projects or discussions have been delayed given the impact of COVID-19, shares could underperform peers.
- **Downside: Credit quality.** With investors paying close attention to the quality of Synovus's loan portfolio, any deterioration of credit quality trends could result in underperformance of SNV shares. Moreover, any signs of worsening credit quality trends in other segments that are most sensitive to COVID-19, including shopping centers, hotels, and full service restaurants, could lead to underperformance of SNV shares.

Figure 97: TCBI Loan Mix



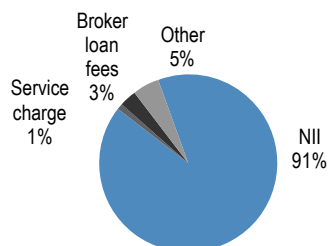
Source: Company reports.

Figure 98: TCBI Deposit Mix



Source: Company reports.

Figure 99: TCBI LTM Revenue Mix



Source: Company reports.

Table 79: TCBI Line Item Estimate vs. Consensus

	JPM	Cons	Diff
Revenue	251	251	0%
NII	214	212	1%
Fee Income	37	38	-3%
Expenses	148	148	0%
LLP	13	27	NM
Core Net Income	68	56	22%
Avg. Dil. Shares	50,794	50,815	0%
NIM	2.26%	2.32%	-0.06%
Efficiency Ratio	58.98%	59.34%	-0.35%

Source: SNL Financial and J.P. Morgan estimates. Note: Consensus is based on SNL mean estimates. Line items may not be comparable.

Texas Capital 1Q21 Preview (TCBI, UW)

Table 80: Estimate Comparison versus Consensus

	1Q21E	2021E	2022E
JPM	\$1.33	\$4.83	\$4.22
Cons.	\$1.11	\$4.33	\$4.56
Diff.	\$0.22	\$0.50	(\$0.34)

Source: Bloomberg Finance L.P. and J.P. Morgan estimates.

Significant First-Quarter Items

- **Items to watch out for during 1Q21 earnings:**
 - We expect gain-on-sale revenue to normalize in 2021 and 2022 following elevated activity in 2020 tied to the low interest rate environment. As a result, we estimate Texas Capital's PTPP income growth through 2022 among the lowest in our coverage universe as the company works through this headwind.
 - One of the key items we will watch for alongside earnings will be any messaging from the new CEO Rob Holmes on material operational plans to improve the ROTE and PTPP income growth outlook for Texas Capital to help punch through a likely sharp mortgage headwind over the intermediate-term.
 - Texas Capital is an asset sensitive bank, and given the continued backdrop of short-term rates remaining very low, we will look out for any additional NIM pressure in 1Q21 and the outlook for both NIM and net interest income and for any benefits from the recent steepening of the yield curve.
- **Incremental updates during 1Q21:**
 - On 3/9, Texas Capital issued \$275mm through a Credit Risk Transfer (CRT) at 4.25% to help support the company's capital ratios and more accurately capture the risk profile of the Mortgage Finance loans.
 - On 2/24, Texas Capital issued \$300mm of perpetual preferred stock at 5.75%.
 - On 2/22, Texas Capital appointed Tim Storms as Chief Risk Officer (to replace John Turpen, who has decided to step down) and Shannon Jurecka to the newly created position of Chief Human Resources Officer.
- **Prior management guidance:** (1) 2021 adjusted expenses flat to down y/y; (2) Loan growth to be soft in 1H21; (3) 1Q21 mortgage finance loans to decline q/q; (4) Provision levels likely in \$30mm per quarter range.

Table 81: Selected Financial Projections (in \$ millions, except EPS)

	1Q21E	4Q20	1Q20	Ann. Chg	Y/Y Chg
Core EPS	\$1.33	\$1.13	-\$0.11	72.7%	NM
Net Interest Income	214	223	228	-15.7%	-6.2%
Fee Income	37	42	9	-52.9%	NM
Expenses	148	151	148	-7.4%	0.0%
PTPP Income	103	115	89	-40.4%	15.5%
Loan Loss Provision	13	32	96	NM	-86.5%
Pre-tax income	90	83	-21	33.9%	NM
Taxes	20	23	-5	-53.0%	NM
Net Income	68	58	-19	69.6%	NM
Avg Earning Assets	38,425	38,439	33,252	-0.1%	15.6%
Average Loans	24,654	25,581	26,790	-14.5%	-8.0%
Average Deposits	32,109	32,896	27,689	-9.6%	16.0%
Net Interest Margin	2.26%	2.32%	2.78%	-6 bps	-46 bps
Reserve/Loan Ratio	1.65%	1.66%	1.43%	-1 bps	23 bps
TCE/TA	7.51%	7.17%	7.35%	34 bps	-18 bps
ROTE	9.91%	8.60%	-0.87%	130 bps	947 bps

Source: Company reports and J.P. Morgan estimates. Note: Growth rates are linked quarter annualized.

Investment Thesis, Valuation and Risks

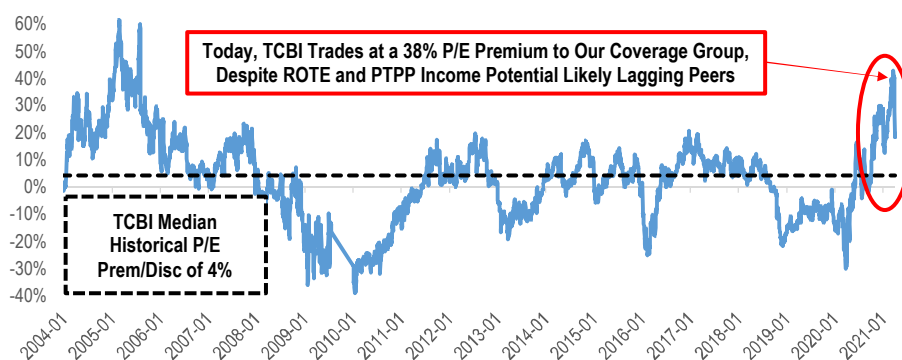
Texas Capital Bancshares, Inc. (*Underweight; Price Target: \$65.00*)

With a Very High Valuation and a Sharp Mortgage Headwind Likely on Tap, We See ROTE and PTPP Income Potential Through 2022 Trending Among the Lowest in Our Coverage Universe; Maintain Underweight

While TCBI trades at a 38% premium to peers on 2022e EPS, we expect the company's PTPP income to decline in the -8-11% range (peers: +1-6%) in both 2021/2022 and ROTE to hover in the 7-9% range (peers: 13%). These below-peer metrics are tied to a sharp mortgage headwind likely on the horizon that should pressure top-line revenue growth through 2022. In fact, even as long-term rates rise, which on the surface would appear to be a beneficiary to the bank, this may actually end up being more of a dual headwind than a tailwind for Texas Capital tied to a (1) deceleration in loan growth in the Mortgage Finance segment and (2) an outsized level of gain on sale revenue normalizing in the coming quarters. With this in mind, we view the steep premium valuation on TCBI is at risk. Given this, we see total return potential for TCBI as materially trailing peers and as a result, we maintain our Underweight rating.

As we examine the stock more closely, we are completely perplexed by the *massive* run in the shares since early November (the announcement of the initial Pfizer vaccine news), particularly given that the announcement of a new CEO typically *removes* takeover premium from the stock. As a result of the strong outperformance of TCBI shares, the stock now trades at 16.3x 2022e EPS, or a 38% premium to peers, which compares with TCBI's median historical forward P/E premium to our coverage group at just 4%, as shown below.

TCBI Historical Forward P/E Premium/Discount to Our Coverage Group, 2004-YTD 2021



Source: Bloomberg Finance L.P.

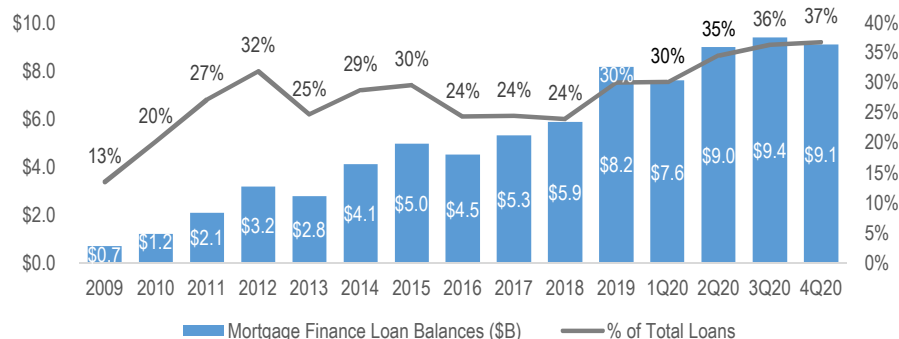
To this end, we would attribute the massive run-up in shares is due to the market's expectation for the new CEO likely to announce a new strategic direction for Texas Capital, which in our view would need to include a plan to boost the ROTE of the bank, particularly in the backdrop of a sharp mortgage headwind. With this in mind, however, we find that the relatively steep premium on Texas Capital's shares is at risk especially with our expectations for the company to report (1) ROTE in both 2021 and 2022 of only 7-9% in each year—among the lowest in our coverage universe and (2) PTPP income declining in the -8-11% range in both 2021 and 2022,

which trails our expectations for peers by a fairly wide margin, with the primary headwind for Texas Capital likely coming from the mortgage businesses.

For those unfamiliar with Texas Capital's mortgage businesses, we provide a brief overview (for more detail, click [here](#)). The company's largest mortgage business is its Mortgage Finance warehouse lending segment whereby Texas Capital invests in mortgage ownership interests that purchase single-family residential mortgages. Mortgage warehouse loans are short-term loans (typically less than 30 days) to a third-party lender (mortgage banks or nonbank lenders) that are used to fund that third-party's mortgage loan. Warehouse loans are commercial asset-based loans, which can be compared to accounts receivable financing, and all warehouse loans are conforming, with virtually no credit risk (zero charge-offs at Texas Capital since inception in 2002).

As of 4Q20, the Mortgage Finance segment at Texas Capital has \$9.1B in outstanding loan balances, or 37% of total loans, which is up from \$8.2B or 30% of total loans vs. 4Q19 and up from \$5.9B or 24% of total loans in 4Q18. The increase in Mortgage Finance loan balances in recent quarters has been driven by higher volumes on lower long-term interest rates.

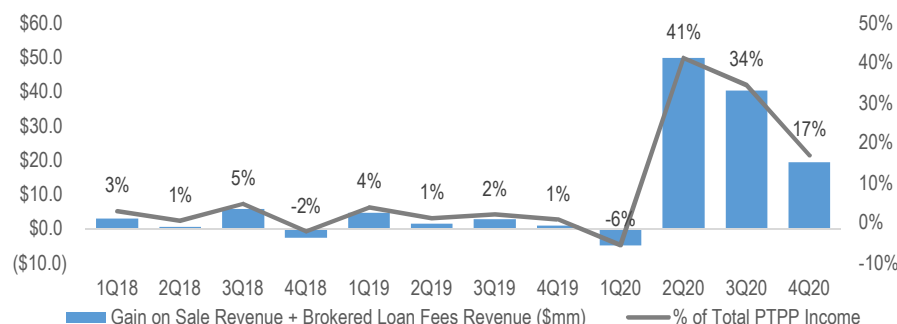
Mortgage Finance Period-End Loans, 2009-4Q20



Source: Company reports.

On top of Mortgage Finance loan balances likely to trend lower from here given the 10-year yield's recent rise and expectations for the 10-year yield to continue grinding higher, another mortgage headwind for Texas Capital is likely to come from its Mortgage Correspondent Aggregation (MCA) business, which has provided the company with an outsized level of gain on sale revenue in recent quarters. In short, Texas Capital's MCA business purchases residential mortgage loans from a variety of correspondent lenders (a correspondent lender is a mortgage lender that originates, underwrites, and funds mortgages through a warehouse line of credit) and delivers those loans to the secondary market through loan sales to either independent third parties or in securitization transactions to agencies including Ginnie Mae, Fannie Mae, and Freddie Mac. Putting numbers behind how material the MCA business has been recently to the overall company, Texas Capital reported \$71mm of total gain on sale revenue in 2Q20-4Q20, after *losing* a total of \$49mm in the nine preceding quarters from 1Q18-1Q20 (with this business historically running at negative gain on sale margins). In fact, gain on sale revenue and brokered loan fees (fees earned for the administration and funding of purchased mortgage loan interests) represented 24% of PTPP income in full year 2020.

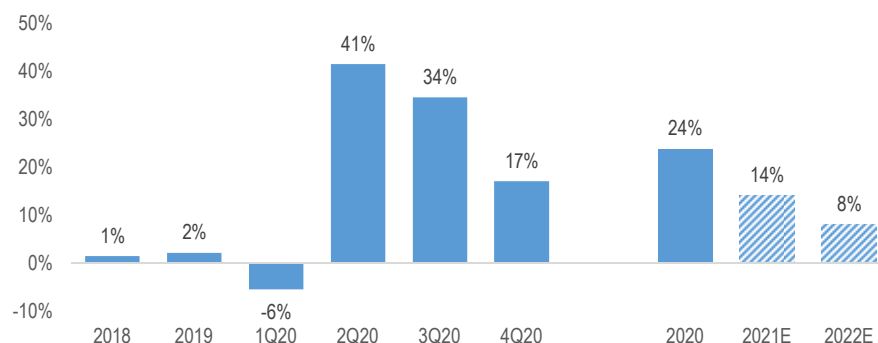
Gain on Sale Revenue and Brokered Loan Fees as Percentage of PTPP Income, 1Q18-4Q20



Source: Company reports.

As we look ahead to the future of Texas Capital's mortgage businesses, while mortgage volumes and gain on sale margins have each been very strong during the COVID-19 pandemic, which has resulted in an outsized contribution to PTPP income, with volumes as well as record gain on sale margins likely to normalize in 2021 and 2022, this business will reach a period, likely beginning in 2021, where the reduction in revenue begins to act as a significant headwind to the overall company's PTPP income contribution, as shown below:

Gain on Sale Revenue and Brokered Loan Fees as Percentage of PTPP Income, 2018-2022E



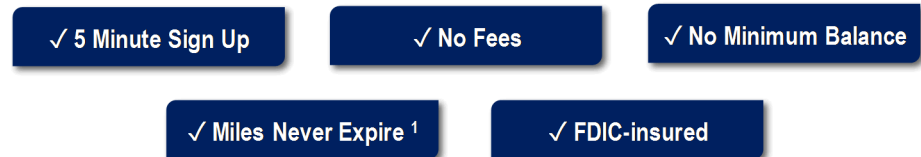
Source: Company reports and J.P. Morgan estimates.

We note that this reduction to the PTPP income contribution that we expect in 2021 and 2022 is our best estimate at this juncture given that mortgage banking is one of the most volatile and unpredictable earnings streams even for management teams to predict. With this in mind, with capital likely flowing into the handful of banks that have enough levers to pull to drive a solid level of PTPP income growth, we view it as likely that TCBI shares get left at the starting line. In addition, as long-term rates continue to potentially rise, while this could draw significant capital into regional banks given the likely benefit to NIMs, in Texas Capital's case, rising long-term rates could accelerate the timing for gain on sale revenue to decline to a more normalized level, which would place downward pressure on PTPP income. Coupling this mortgage headwind with an ROTE that we expect to trend near the bottom of our coverage universe, we see total return potential as trailing peers and as a result, maintain our Underweight rating.

Although we maintain our Underweight rating on TCBI shares, we remain fans of the company's efforts to position itself as a long-term winner among regional banks in

the digital age. We point to Bask Bank as a clear example of this. Bask Bank is unique across the financial industry in that its savings account allows customers to earn airline miles without the use of a credit card. Bask Bank was introduced in January 2020 and is the company's national digital bank that rewards savers with American Airlines miles in lieu of traditional interest. While Bask Bank is an interesting venture, we note that this venture is still in its very early innings.

Bask Bank Savings Account Features



Source: Company website. (1) Miles expire if there is no earnings or redemption activity for 18 months. Otherwise, miles never expire.

In addition to Bask Bank being a very unique product and the only example of a national digital bank within our coverage universe, it's worth noting that this product was rolled out using an agile framework, which emphasizes speed to delivery and can bring new products and services to market in a much more condensed timeframe (vs. a waterfall method). Bask Bank was the first time that Texas Capital had completed a project using an agile process and this yielded a lot of positive feedback by the bank's employees due to the speed with which deliverables were able to be completed. Given the success of rolling out Bask Bank using an agile framework, most new projects and tasks at the company are now structured using the agile methodology, which allows for rapid testing and learning and for quickly eliminating ideas that do not work. The usage of an agile framework also plays a broader role in supporting the three main focus areas for technology at Texas Capital, namely: (1) relationship manager enablement (reducing the amount of low value activities that relationship managers have on their plates), (2) prospect acquisition and onboarding (with the onboarding experience being a very important item for customers), and (3) customer experience (mostly around digital).

As we look ahead, with a mortgage headwind likely to play out in the coming quarters, at this juncture we view an unfavorable risk/reward dynamic in TCBI shares, which trade at a 38% premium to peers on 2022e EPS despite our expectations for both ROTE and PTPP income potential each expected to materially trail our peer medians in both 2021 and 2022. While we remain impressed by the actions that Texas Capital is taking on the technology front, including employing an agile strategy, to improve the client experience, we view TCBI shares as likely to underperform peers in the coming quarters and as a result, maintain our Underweight rating.

Estimate Revisions

We are decreasing our 2021e and 2022e core EPS estimates from \$5.17 to \$4.83 and \$4.54 to \$4.22, respectively. We are also introducing our 2023e core EPS estimate of \$4.71. We note that in our estimates, we assume the forward curve.

Valuation

TCBI shares currently trade at 16.3x 2022e EPS, or a 38% premium to peers. We are establishing our December 2022 price target of \$65 (as compared to our December 2021 price target of \$55), which assumes shares trade at 13.8x 2023e EPS, or at a

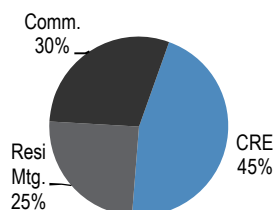
14% premium to peers. Given the potential mortgage headwinds the company is facing, which will limit top-line revenue growth and ROTE and PTPP income potential, we see total return potential for TCBI trailing peers.

Risks to Rating and Price Target

We believe there are three primary risks to our Underweight rating and price target.

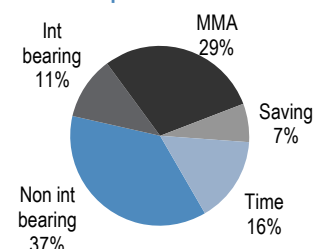
- **Upside: Steep P/E premium valuation.** TCBI shares now trade at a 38% premium to peers on 2022e EPS. In our opinion, a significant amount of the premium is likely tied to the expectation for a material operational plan announcement that can provide a significant lift to ROTE and PTPP income growth, which would likely result in upside to TCBI shares.
- **Upside: Mortgage Finance exposure.** After the general C&I portfolio, Texas Capital's second largest loan concentration is Mortgage Finance (37% of total). This portfolio is susceptible to rapidly changing credit usage due to seasonality and changes in consumer demand based on changes in interest rates, both of which lead to quarterly volatility in this portfolio, which could lead to quarterly earnings volatility. Should the outlook for housing demand and prices rise from current expectations, TCBI shares could outperform peers. Moreover, if mortgage rates remain at low levels, Texas Capital could continue ramping up its lending opportunities in this business, which is a positive for earnings.
- **Upside: Gain on sale revenue.** In 2020, Texas Capital reported an outsized level of gain on sale revenue, which represented 24% of PTPP income vs. historically being a negative to earnings. While the outlook calls for quarterly gain on sale revenue to approximate the 4Q20 run-rate of \$6.8mm, a return to the historically high levels of gain on sale revenue recorded in 2Q20-3Q20 (\$25-40mm per quarter) could provide an additional earnings stream to the company, and TCBI shares could outperform peers.

Figure 100: UMPQ Loan Mix



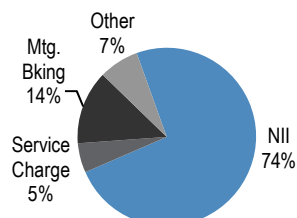
Source: Company reports.

Figure 101: UMPQ Deposit Mix



Source: Company reports.

Figure 102: UMPQ LTM Revenue Mix



Source: Company reports.

Table 82: UMPQ Line Item Estimate vs. Consensus

	JPM	Cons	Diff
Revenue	349	324	8%
NII	227	227	0%
Fee Income	122	97	26%
Expenses	181	186	-3%
LLP	18	12	NM
Core Net Income	112	95	18%
Avg. Dil. Shares	220,663	220,692	0%
NIM	3.24%	3.32%	-0.08%
Efficiency Ratio	51.74%	57.53%	-5.79%

Source: SNL Financial and J.P. Morgan estimates. Note: Consensus is based on SNL mean estimates. Line items may not be comparable.

Umpqua 1Q21 Preview (UMPQ, UW)

Table 83: Estimate Comparison versus Consensus

	1Q21E	2021E	2022E
JPM	\$0.51	\$1.74	\$1.54
Cons.	\$0.45	\$1.64	\$1.60
Diff.	\$0.06	\$0.10	(\$0.06)

Source: Bloomberg Finance L.P. and J.P. Morgan estimates.

Significant First-Quarter Items

• Items to watch out for during 1Q21 earnings:

- We expect mortgage banking income (excluding MSR FV) to decline 12% annualized, with both volumes and gain-on-sale margins coming under pressure. The primary/secondary spread, which is a good proxy for gain-on-sale margins industry-wide, has decreased by 14% on average, in 1Q21 vs. 4Q20. We look for the company's updated thoughts on when/where gain-on-sale margins would normalize as well as volumes for 2021 and 2022.
- With mortgage rates and 10-year surging in 1Q21, we look to see if there are any changes to the company's outlook on its efficiency ratio for 2021/2022 after incorporating any benefit from higher rates (prior guidance: sub-60% with Next Gen 2.0 initiatives).

• No incremental updates during 1Q21.

• Quick take on expected fundamental trends in 1Q21:

- **Core EPS:** We forecast core EPS of \$0.51, \$0.06 above consensus.
- **Mortgage banking:** We expect mortgage banking to decline 12% annualized.
- **Prior management guidance:** (1) Expect 1Q21 expense to be below 3Q20 level (of ~\$190mm) with reductions later in the year given Next Gen 2.0; (2) 1Q21 efficiency ratio in 52.5% range; (3) Tax rate in 25% range; (4) \$18mm of losses in FinPac portfolio likely in 1Q21.

Table 84: Selected Financial Projections (in \$ millions, except EPS)

	1Q21E	4Q20	1Q20	Ann. Chg	Y/Y Chg
Core EPS	\$0.51	\$0.73	\$0.00	NM	NM
Net Interest Income	227	235	219	-12.7%	4.1%
Fee Income	122	130	80	-24.1%	52.8%
Expenses	181	201	176	-40.1%	2.3%
PTPP Income	169	164	122	11.7%	38.5%
Loan Loss Provision	18	0	118	NM	-84.8%
Pre-tax income	149	148	-1,822	4.5%	NM
Taxes	37	-3	30	NM	22.7%
Net Income	112	151	-1,852	NM	NM
Avg Earning Assets	28,451	27,998	25,690	6.5%	10.7%
Average Loans	22,215	22,138	21,197	1.4%	4.8%
Average Deposits	24,856	24,752	22,576	1.7%	10.1%
Net Interest Margin	3.24%	3.35%	3.41%	-11 bps	-17 bps
Reserve/Loan Ratio	1.48%	1.51%	1.37%	-3 bps	11 bps
TCE/TA	9.49%	9.24%	9.10%	24 bps	39 bps
ROTE	16.38%	24.40%	0.16%	-803 bps	1622 bps

Source: Company reports and J.P. Morgan estimates. Note: Growth rates are linked quarter annualized.

Investment Thesis, Valuation and Risks

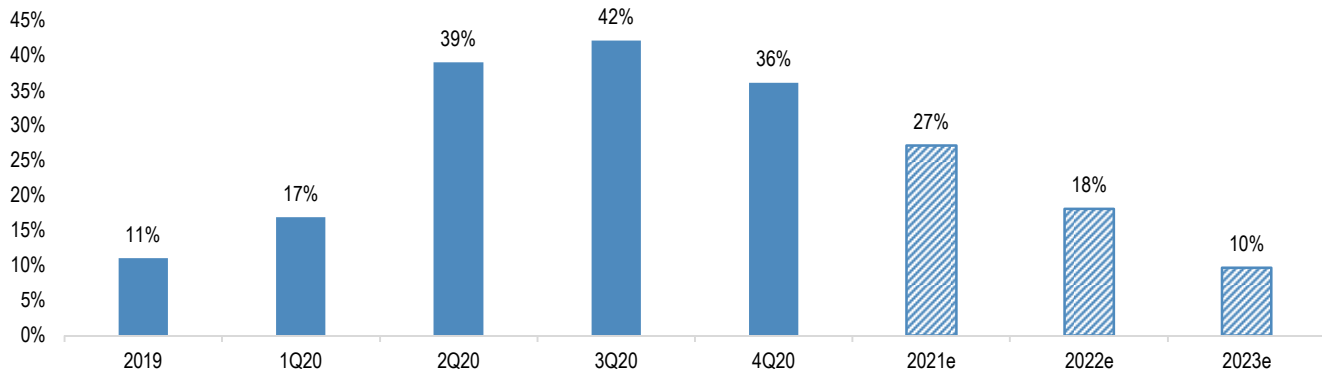
Umpqua Holdings Corporation (*Underweight; Price Target: \$18.00*)

PTPP Income Pressure Likely on Tap for 2021 and 2022 as Mortgage Banking Headwind Looms; Even Though Umpqua Positioning Itself as a Long-Term Winner in the Digital Age, Maintain Underweight

While we are bullish on regional banks overall for 2021, one sub-segment we remain very cautious are banks which generate an outsized fee revenue stream from mortgage banking. With Umpqua mortgage banking comprising 24% of total operating revenues, we expect the company to see PTPP income declines in 2021 and 2022 (with growth modestly lagging peers in 2023) given looming mortgage banking headwinds as refinance volumes and gain on sale margins come back down to earth (after having an exceptionally strong year in 2020). In fact, we've already seen this trend beginning to play out at Umpqua in 4Q20, with the results demonstrating that the company has now likely reached the peak of the mortgage mountain. Looking into the rest of 2021 and beyond, with the mortgage business eventually reaching the other side of the mountain it will reach a period where the reduction in revenue coming from the mortgage business is well in excess of the potential reduction from the business, resulting in a significant headwind on its PTPP income growth. In addition, as longer-term rates have risen sharply YTD and potentially continue to creep higher, while this could draw significant capital into regional banks given the likely benefit to NIM, in Umpqua's case rising longer-term rates could have a strong counter-effect given the potential for rising rates to accelerate the timing for mortgage banking to normalize, with these concerns likely getting reflected in the stock's YTD underperformance (+18% vs. peers +28%). With that said, as the gain on sale margin and mortgage volumes normalize in the next few years, we expect that the current outsized contribution to PTPP income from the home lending segment (at ~36% in 4Q20 vs. 11% in 2019) to come under significant pressure. Even with an elevated dividend, we see total return potential as trailing peers and, as a result, maintain our Underweight rating on UMPQ shares.

Although home lending was historically a very high efficiency ratio business, with the 70-80% range common prior to 2020, with volumes and gain on sale margins booming during COVID-19 while expenses increased only modestly in the work from home period, this formerly relatively inefficient business has morphed into a highly efficient business. In fact, contrasted to the business having an efficiency ratio in the 70% range in 2019, we calculate the efficiency ratio had declined to below 50% in 2020. While this would typically be a positive development, with mortgage volumes as well as record gain on sale margins likely to normalize through 2023 (with this appearing to have started along with 4Q20 earnings), with the business likely having reached the other side of the mountain, a reduction in PTPP income contribution from the home lending segment is likely to place incremental downward pressure on Umpqua's overall PTPP income. As a result, a significant headwind is eventually going to make its way to Umpqua's P&L (and likely in 2021), depicted below:

Umpqua Home Lending Segment Core PTPP Income Contribution (as % of Total UMPQ), 2019-2023e



Source: Company reports. Note: Numbers are on a core basis. All components of PTPP Income for 2021-2023 are our estimates.

Given the relatively strong (1) headwind for PTPP income growth ahead and (2) headwind in terms of raising the efficiency ratio as the mortgage contribution normalizes, it becomes better understood how the announcement of Next Gen 2.0 is only intended to help the company remain below 60% efficiency ratio (rather than drive to an overall efficiency improvement from current levels). While the announcement of Next Gen 2.0 is certainly a positive development for shareholders and demonstrative of a management team that is looking under every rock for cost saving opportunities, as contrasted to peer banks it appears that Umpqua is likely to trail peers by a fairly wide margin in the area that, at least for moment, has replaced credit fear as the primary driver of bank stocks: the ability to drive PTPP income growth. To this end, with core NIM (ex. the impact of PPP fees) pressure expected to remain on tap for many banks over the near term, as well as several others also expected to see the contribution from mortgage banking normalize, we see the industry generating only a modest amount of PTPP income growth in 2021. Looking at Umpqua, however, given an outsized exposure to mortgage banking, we actually see PTPP income declining notably in 2021 as well as 2022 (or in the 3-9% range) while lagging peers modestly in 2023.

We note that this reduction to PTPP income expected each year is our best estimate at this juncture given that mortgage banking is one of the most volatile and unpredictable earnings streams even for management teams to predict. With that said, however, within our earnings estimates we give the company full credit for the realization of the financial benefits from Next Gen 2.0. Even with this full benefit contemplated, it appears that PTPP income will be on a continued decline in 2021 as well as 2022. With capital likely flowing into the handful of banks that have enough levers to pull to drive relatively strong PTPP income growth, it's likely that UMPQ shares get left at the starting line. Additionally, with the vast majority of analysts rating UMPQ shares at outperform, this could become a tinder box for downgrades. Even with an elevated dividend, we see total return potential as trailing peers and, as a result, maintain our Underweight rating.

Even though we maintain our Underweight rating on the stock given the anticipated mortgage headwind, we continue to view the company as one that is taking actions to position itself as a potential long-term winner in the digital age. In fact, while many of our banks have indicated that technology is leveraged as a means to enhance (not replace) human-to-human relationships, what's impressive about Umpqua is that the company was so early on to realize that it should differentiate by using technology to

empower human relationships between customers and bankers (as opposed to AI and robots replacing human interactions). In 2015, Umpqua created Pivotal Ventures, which was the bank's digital banking innovation subsidiary and in-house fintech incubator (which was sold to fintech Kony in October 2018), and the first thing that Umpqua did was conduct experiments and test theses to figure out what customers want in banking technologies. The results of the experiments were that most people liked convenience of technology but they still wanted to have human touch points. To this end, Pivotal created in-house the Engage human digital banking platform where a customer can select a dedicated banker of its choice to engage through chat capabilities, which has evolved into Umpqua Go-To. Digging deeper into Umpqua Go-To, which has 90K customers now after rolling out ~1.5 years ago, this is an app that Umpqua customers can download and use for free where the customers can simply press a button and chat via text with a personal bank of their choice (whether by the area of bankers' expertise, location, and interests). Today, Umpqua Go-To is available for consumers, but the company is now working on rolling out Go-To for Business to serve its business relationships as part of its Next Gen 2.0 initiatives. Besides, Umpqua remains active in forming strategic fintech partnerships, such as MineralTree (an accounts payable automation fintech for integrated payables for Umpqua's commercial clients) and Snowflake (a cloud-based data warehousing fintech used for its cloud-first strategy). As it relates to its cloud-first strategy, Umpqua was one of the first banks in the US to work with Microsoft Azure and has a transactional database sized at 2.4TB (which is sizeable for a bank of Umpqua's size) porting to Azure. With the company's replicated transactional data and account level data fully on cloud and operating under the Azure environment, Umpqua can run Python and use Snowflake services with this data, which enables attrition warnings as well as provides next best offer and credit insights.

Umpqua also leverages technology to empower its bankers, with the company actively using advanced data and analytics to provide its bankers with actionable insights. Umpqua Smart Leads and Credit Insights—which are both proprietary—use transactional data, analytics, and custom algorithms to provide bankers with next best offer leads and help with identifying risk management activities. Digging deeper, on Umpqua Smart Leads, Umpqua partnered with a niche data company to run algorithm through data and automatically push the next best product offers to Umpqua bankers and treasury management sales professionals. A very simple example of this is if a customer deposits 100 physical checks at a teller line, the algorithm will auto-pitch remote deposit capture with the customer not needing to come to the store. Another example is looking at last twelve months to alert for potential fraudulent activity. Turning to Umpqua Credit Insights, this uses the same 2.4TB transactional data in the cloud and breaks it down into customer cash-in and cash-out, comparing pre-pandemic vs. post-pandemic by month/quarter, and ranking businesses that are performing better pre-pandemic and post-pandemic.

Although we were impressed by its “human digital” strategy and technology offerings at Umpqua, with its net promoter score (according to J.D. Power) of 36 being just about in line with peers, it was a bit surprising to us that the company didn't have much higher customer satisfaction scores. With Umpqua's Go-To offering gaining significant customer traction during the pandemic (which may not yet have been incorporated in the NPS results) and Umpqua continuing to invest in “human digital,” cloud, API, and data analytics as part of the company's key strategy, while we fully acknowledge that there's more room to improve the scores, we see that the company has all the right recipes in place to further improve the

customer experience. Combining (1) investments the company has already made in technology along with what's in the pipeline with (2) management that is focused on improving customer experience, we see that Umpqua is well positioned to drive a meaningful improvement in customer satisfaction in the years ahead. As a result, although we don't like the near-term setup for the stock, this could at some point provide an attractive entry point.

Estimate Revisions

We are increasing our 2021e and 2022e core EPS estimates from \$1.66 to \$1.74 and \$1.42 to \$1.54, respectively. We are also introducing our 2023e core EPS estimate of \$1.70. We note that in our estimates, we assume the forward curve.

Valuation

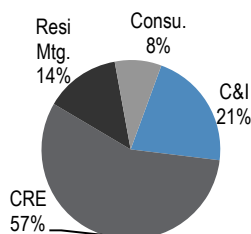
UMPQ shares currently trade at 11.4x 2022e EPS, or a 3% discount to peers. We are establishing our December 2022 price target of \$18 (as compared to our December 2021 price target of \$15), which assumes shares trade at 10.6x 2023e EPS, or at a 13% discount to peers. Given the anticipated PTPP growth headwind in the backdrop of normalizing mortgage banking business expected for 2021/2022, we see limited total return potential. We maintain our Underweight rating on UMPQ shares.

Risks to Rating and Price Target

We believe there are three primary risks to our Underweight rating and price target.

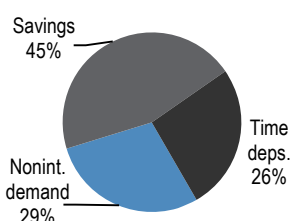
- **Upside: Mortgage banking.** At 24% of total operating revenues in 4Q20, the company's reliance on mortgage banking remains among the highest in the group, which makes it more susceptible to the mortgage market environment. To the extent that originations and margins incrementally contribute to revenues, shares could outperform peers.
- **Upside: Next Gen 2.0.** As part of Next Gen 2.0, the company laid out new initiatives aiming to improve operating leverage over a two-year period via store consolidations, reduction in back office sq. footage, sale of Umpqua Investments, and additional back office simplification, which together is expected to result in a \$39-56mm decline in expenses and improve efficiency ratio by 4.5-7% (with 50% savings projected in 2021, 70% in 2022, and 100% in 2023). Should the company exceed the target, shares may outperform.
- **Upside: Loan growth.** As part of Next Gen 2.0, the company announced that it is targeting 8-12% growth in C&I and owner-occupied CRE by the end of YE22 (cumulative). Should the company deliver above its target, this could result in shares outperforming.

Figure 103: VLY Loan Mix



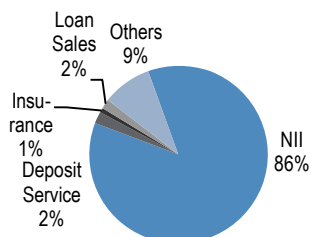
Source: Company reports.

Figure 104: VLY Deposit Mix



Source: Company reports.

Figure 105: VLY LTM Revenue Mix



Source: Company reports.

Table 85: VLY Line Item Estimate vs. Consensus

	JPM	Cons	Diff
Revenue	335	338	-1%
NII	291	294	-1%
Fee Income	44	45	-2%
Expenses	157	160	-2%
LLP	23	16	46%
Core Net Income	111	115	-3%
Avg. Dil. Shares	403,872	405,152	0%
Reported NIM	3.04%	3.18%	-0.14%
Efficiency Ratio	46.77%	46.93%	-0.17%

Source: SNL Financial and J.P. Morgan estimates. Note: Consensus is based on SNL mean estimates. Line items may not be comparable.

Valley National 1Q21 Preview (VLY, N)

Table 86: Estimate Comparison versus Consensus

	1Q21E	2021E	2022E
JPM	\$0.28	\$1.17	\$1.27
Cons.	\$0.28	\$1.09	\$1.13
Diff.	\$0.00	\$0.08	\$0.14

Source: Bloomberg Finance L.P. and J.P. Morgan estimates.

Significant First-Quarter Items

- **Items to watch out for during 1Q21 earnings:**
 - On the recent earnings call, Valley commented that it was looking to hire C&I bankers in Florida and a team in Philadelphia. We look for updates on the progress on hiring and the potential for loan growth.
 - Valley has room to lower its CD and borrowing costs as these liabilities come due. Along with its ability to drive non-interest bearing deposit growth, this could improve the deposit franchise and net interest margin.
 - Valley guided to mid-single-digit loan growth in 2021, and we look for the bank's ability to generate loan growth, particularly in its faster growing Florida markets.
- **No incremental updates during 1Q21.**
- **Quick take on expected fundamental trends in 1Q21:**
 - **Core EPS:** We forecast core EPS of \$0.28, in line with consensus.
 - **NIM:** We are forecasting NIM to decline 2 bps q/q.
 - **Average loans:** We model average loans to increase 3.5% annualized in the quarter.
 - **Average deposits:** We forecast average deposits to increase 2.5% annualized.
 - **Core expenses:** We forecast core expenses to increase 4.5% annualized.
- **Prior management guidance:** (1) Mid-single-digit loan growth (ex-PPP) in 2021; (2) Likely to outperform peers on NIM in the near term.

Table 87: Selected Financial Projections (in \$ millions, except EPS)

	1Q21E	4Q20	1Q20	Ann. Chg	Y/Y Chg
Core EPS	\$0.28	\$0.27	\$0.21	8.5%	30.9%
Net Interest Income	291	289	266	3.2%	9.3%
Fee Income	44	49	41	-42.0%	7.2%
Expenses	157	155	149	4.5%	5.4%
PTPP Income	179	183	159	-10.1%	12.4%
Loan Loss Provision	23	19	35	87.5%	-33.3%
Pre-tax income	153	143	116	26.2%	31.2%
Taxes	38	38	29	2.1%	31.1%
Net Income to Common	111	102	84	35.9%	32.4%
Avg Earning Assets	38,808	37,807	34,674	10.6%	11.9%
Average Loans	32,854	32,571	29,999	3.5%	9.5%
Average Deposits	31,951	31,756	28,812	2.5%	10.9%
Net Interest Margin	3.04%	3.06%	3.07%	-2 bps	-3 bps
Reserve/Loan Ratio	1.04%	1.06%	0.93%	-2 bps	11 bps
TCE/TA	7.60%	7.47%	7.31%	14 bps	29 bps
ROTE	15.21%	15.67%	12.96%	-45 bps	225 bps

Source: Company reports and J.P. Morgan estimates. Note: Growth rates are linked quarter annualized

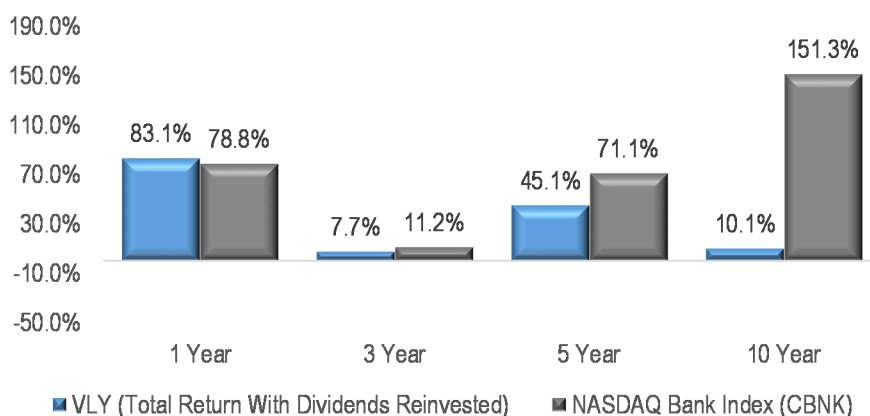
Investment Thesis, Valuation and Risks

Valley National Bancorp (Neutral; Price Target: \$15.50)

With the Days of VLY as an Underperformer Now in the Rear-View Mirror, Still Work to Be Done to Transform This Franchise into an Outperformer; Although We Like the Direction Valley is Headed, At this Juncture We Remain on the Sidelines; Maintain Neutral

When Ira Robbins stepped into the CEO role at Valley on December 31, 2017, it was clear that a new sheriff was now in town. To this end, Valley went in for a complete culture makeover, which included several facets but most notably a game plan to reduce its level of expenses and drive to a much lower efficiency ratio. To this end, the company can now claim mission accomplished with a 47% adjusted efficiency ratio reported in 4Q20, or well below the initial 51% target provided to the market in 2Q18). Although VLY had a track record in the past of delivering very little value to shareholders, as captured below from the 10-year total return from the stock, with the company now setting ambitious targets and then delivering on these targets, the days of VLY being an underperformer versus peers appears to now be in the history books.

VLY Total Return (with Dividends Reinvested) vs. Peers over One, Three, Five, and Ten Years Horizon



Source: Bloomberg Finance L.P. Total return as of 3/26/2021.

With the days of VLY being an underperformer perhaps in the history books, the key question for shareholders is whether this company is now positioned as a peer performer, as has generally been the case for the past several year, or has the company transformed enough already to render this company an outperformer? In our view, while the company has made significant progress already (and much more than we thought was possible having covered VLY shares for many years), there is more work to do for VLY to transition into a long-term outperformer, particularly given that (1) it has already chopped significant wood on expenses, more of the PTPP income growth moving forward will need to come from revenue growth with (2) a much better than “peer level” of client satisfaction is needed in our opinion for the company to be in a position to drive stronger long-term growth higher than peers without needing to simultaneously take undue credit risk.

In fact, with the company having now *already* pulled the expense lever, as compared to peers there may be less gas in the tank remaining at this stage to drive further PTPP income gains from significant cost cutting. To put some perspective behind this view, we point to the expense to assets ratio. While many banks in our coverage group are now striving to drive this ratio down to the 2% level, VLY reported in 4Q20 that it was already in the 1.5% range. While CEO Ira Robbins has earned credibility with the Street in terms of delivering on promises, given that the company has done such a good job on the expense front, driving PTPP income growth is going to increasingly come from revenue growth rather than additional cost cutting. With that said, however, at this stage the revenue outlook is facing headwinds, particularly as elevated fee income growth in 2020 (which increased 33% y/y) comes down to earth in 2021. As a result, while the company does have levers to pull to help drive decent NII growth in 2021, on an overall basis, we look for PTPP income growth only in the 5-7% range in the next few years. As a result, even though the stock appears cheap on the surface, this discount on the stock is likely to remain that way. In fact, the catalyst that we believe is needed is for the efforts of the company to start translating into a *superior client experience* and, by doing so, transform Valley into a market share taking machine in its very attractive markets.

Having covered the bank sector for the past 20+ years, we've seen more than our fair share of banks that during the good times posted well above peer growth rates only to then have a much worse than peer experience on credit during a cycle. One quickly learns covering the bank industry, however, that there is no free lunch and that, more often than not, above peer growth stems from a bank offering a better loan deal to a customer than the abundance of competitors in the market. In fact, during a booming economic cycle it's not uncommon for a commercial borrower to receive more than 15 proposals on a loan deal. With banks for the most part being "black boxes" where investors are not privy to the quality of the companies and individuals that a bank has lent funds to until the time arrives for the money to be repaid (and we then learn the hard way). To this end, it is quite common that once a growth bank makes it to the other side of the credit cycle (assuming, of course, that they do make it to the other side), that a new credit culture is adopted which emphasizes quality over quantity. As a result, we believe the real money maker in banking is to concentrate positions in banks that are able to win business by delivering superior service rather than by offering the best loan terms in town.

As an example, we point to First Republic, which has grown loans at a 20% CAGR for decades while also delivering NCOs at less than 1 bp per year (including best in class credit metrics through economic cycles). The company has accomplished this by (1) never compromising underwriting (with most LTVs in the 50% range at origination) and (2) winning new business not for offering the loosest terms in town but rather from delivering best in class customer service. We note that First Republic's NPS is 73, which is significantly better than some of its primary competitors (such as Wells Fargo with an NPS of only 15). While the trade-off of First Republic offering best in class customer service experience to customer is an above-peer efficiency ratio (as well as below peer ROTE), this formula has resulted in nearly 500% increase in FRC shares over the past decade as compared to ~80% for coverage peers. Overall, it's very clear to us that the winning strategy in banking over the long-term is to create a company that can win business on customer service. To this end, however, it appears that Valley still has work to do with Valley having a net promoter score of only 31, which is below our peer median (at 37).

Although Valley's *current* net promoter score is below peers, there is reason for optimism. In fact, beyond the improvement in efficiency at the organization, another change at Valley that CEO Ira Robbins brought to the bank was its new focus on technology and positioning the bank to compete in the digital age of banking. The technology strategy is one that is focused on enabling its workforce to be more productive and be enabled to deepen customer relationship with the help of technology, rather than replacing the human relationship with technology. One recent example of this model of pairing the relationship model with technology capabilities is in Valley's success in serving 13,000 Paycheck Protection Program customers which included ~3,000 net new customers during the pandemic when business customers were in need of financial assistance. The bank's ability to handle a large volume of PPP loan activity was due to the bank streamlining the technology aspect of the process while pairing each customer with a dedicated banker to walk each client through the process end to end. The bank is also using technology to target niche markets with tailored solutions such as the HOA market, where Valley is leveraging cloud technology to create a dedicated website with tailored products focused on serving this set of clientele. Valley is also looking to solve the friction point of onboarding clients, by creating a new onboarding experience that is real-time and multi-product for the customer (expected to be available in 2021). To achieve the bank's technology goals, Valley has been open to partnering with fintech companies with the Chief Digital Product Officer Stuart Cook having a unique perspective of working at fintech companies for 15 years prior to joining Valley.

Even though the company appears well positioned to see its client satisfaction scores continue to rise, at this stage we are perfectly comfortable being on the sidelines for the stock given that (1) we also believe many peer regional banks are similarly positioned to see client satisfaction scores improve and (2) with Valley having dramatically cut expenses over the past several years, as an outsider, it's not clear to us from the data (1) why efforts thus far have not yet translated into at least a peer level client satisfaction level as well as (2) if the focus on cost cutting and the company over-delivering on its efficiency goals perhaps came at the expense of client service abilities/focus being impaired. We note that our banks which sit at the top of the leader boards on client satisfaction have made client experience their top priority and have not had to try and walk a tight rope of cutting expenses while simultaneously improving client satisfaction.

While the shares arguably look cheap on the surface, trading at 10.7x 2022e EPS, or at a 10% discount to peers, we believe the key catalyst to drive a narrowing of the discount would be a stronger outlook for PTPP income growth than the 5-7% we currently forecast. To this end, a key market to watch is Florida with Valley outlining on the call intentions to expand operations in Florida with plans to increase its C&I banker headcount by 25% this year (Florida represents 40% of total new loan production). Additionally, for this stock to move out of the value camp and into the direction of becoming a core holding in a portfolio of high quality banks, we believe the company will need to make much more progress on the client satisfaction front. Although we maintain our Neutral rating on VLY shares, with CEO Ira Robbins emerging as a CEO that not only makes bold promises to shareholders but then delivers on those promises, this is a name we remain very interested in.

Estimate Revisions

We are increasing our 2021e and 2022e core EPS estimates from \$1.13 to \$1.17 and \$1.17 to \$1.27, respectively. We are also introducing our 2023e core EPS estimate of \$1.42. We note that in our estimates, we assume the forward curve.

Valuation

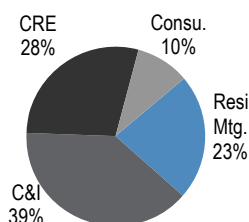
VLY shares currently trade at 10.7x 2022e EPS, or a 10% discount to peers. We are establishing our December 2022 price target of \$15.50 (as compared to our December 2021 price target of \$12), which assumes shares trade at 10.9x 2023e EPS, or at a 10% discount to peers. Layering on an above-peer-level dividend yield of 3.3% on top of upside to our 2022 price target, we see total return potential in the zip code of peers. Given the journey still ahead to transform VLY into a high-performing bank, we have a Neutral rating on VLY shares.

Risks to Rating and Price Target

We believe there are three primary risks to our Neutral rating and price target.

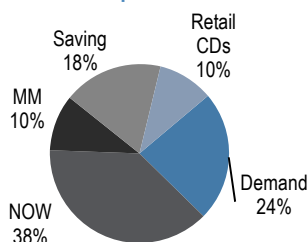
- **Downside: Credit quality.** Valley has a track record of having a risk profile that has historically successfully led the company through many tough economic cycles. Over the years with the company expanding its footprint into new markets, such as Florida and Alabama, which has contributed to a ramp in loan growth, we await a needed report card on credit quality. Should the company see an uptick in problem loans in the upcoming credit cycle due to these new markets, shares could underperform peers.
- **Upside: M&A synergies.** With the company closing the acquisition of New Jersey-based Oritani, a cost savings plan called for reducing half of Oritani's expense base. There were 26 Oritani branches that are all within three miles from a Valley branch, and the company disclosed that it plans to close nine of these branches during 2020. Additionally, the deal added 76,000 new deposit accounts (ex. time deposits), which should provide cross-selling opportunities. Should the company deliver better than expected revenue synergies and cost saves, shares could outperform peers.
- **Upside: Loan growth.** With the company increasing its liquidity and capital position from the acquisition of Oritani to fund organic growth, should low-risk loan growth accelerate with the company seeing more opportunities in Florida as well as its home markets, shares could outperform peers.

Figure 106: WBS Loan Mix



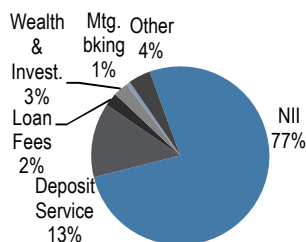
Source: Company reports.

Figure 107: WBS Deposit Mix



Source: Company reports.

Figure 108: WBS LTM Revenue Mix



Source: Company reports.

Table 88: WBS Line Item Estimate vs. Consensus

	JPM	Cons	Diff
Revenue	293	301	-3%
NII	219	224	-2%
Fee Income	74	74	0%
Expenses	178	180	-1%
LLP	18	15	20%
Core Net Income	71	76	-7%
Avg. Dil. Shares	89,440	89,870	0%
NIM	2.87%	2.94%	-0.07%
Efficiency Ratio	60.90%	59.74%	1.16%

Source: SNL Financial and J.P. Morgan estimates. Note: Consensus is based on SNL mean estimates. Line items may not be comparable.

Webster 1Q21 Preview (WBS, OW)

Table 89: Estimate Comparison versus Consensus

	1Q21E	2021E	2022E
JPM	\$0.79	\$3.80	\$4.58
Cons.	\$0.90	\$3.72	\$4.14
Diff.	(\$0.11)	\$0.08	\$0.44

Source: Bloomberg Finance L.P. and J.P. Morgan estimates.

Significant First-Quarter Items

- **Items to watch out for during 1Q21 earnings:**
 - Webster's CEO announced recently its strategic initiative to drive top-line growth as well as reduce expenses in the 8-10% range by the end of 4Q21. We look for color on progress on both revenue growth and cost saving initiatives.
 - Webster guided to modest loan growth (ex-PPP) in 1Q21. We will monitor if loan growth has benefitted from a gradual reopening of an economy yet.
 - Securities are 29% of Webster's earning assets. With the recent rise in longer-term yields, this may translate into an improved yield on the securities portfolio over time.
- **Incremental updates during 1Q21:**
 - 2020 year-end Devenir report was released, and industry assets grew +25% Y/Y, deposits grew +17% Y/Y, investments +52% Y/Y, HSA accounts +6% Y/Y.
- **Quick take on expected fundamental trends in 1Q21:**
 - **Core EPS:** Our 1Q21 EPS estimate is \$0.79, \$0.11 below consensus.
 - **Loan growth:** We estimate average loans to remain flat q/q.
 - **NIM:** We forecast NIM to expand 4 bps q/q.
- **Prior management guidance:** (1) 1Q21 loan growth to be modest (ex-PPP); (2) 1Q21 Net interest income to be stable q/q; (3) NIM to be in the 2.85-2.87% range in the near term with liquidity being the wildcard (4) 1Q21 fee income to be lower q/q; (5) 1Q21 expenses to be lower q/q; (6) 1Q21 tax rate in 21-22% range.

Table 90: Selected Financial Projections (in \$ millions, except EPS)

	1Q21E	4Q20	1Q20	Ann. Chg	Y/Y Chg
Core EPS	\$0.79	\$0.99	\$0.39	-79.7%	NM
Net Interest Income	219	220	233	-1.0%	-6.1%
Fee Income	74	77	73	-16.6%	0.3%
Expenses	178	176	178	4.0%	0.1%
PTPP Income	114	120	129	-18.4%	-11.2%
Loan Loss Provision	18	-1	76	NM	-76.2%
Pre-tax income	91	75	49	85.8%	85.0%
Taxes	20	15	11	NM	76.1%
Net Income	69	58	36	80.5%	92.5%
Avg Earning Assets	30,943	30,866	28,862	1.0%	7.2%
Average Loans	21,695	21,729	20,325	-0.6%	6.7%
Average Deposits	27,461	27,216	24,063	3.6%	14.1%
Net Interest Margin	2.87%	2.83%	3.23%	4 bps	-36 bps
Reserve/Loan Ratio	1.62%	1.66%	1.60%	-4 bps	2 bps
TCE/TA	7.87%	7.90%	7.68%	-3 bps	18 bps
ROTE	11.31%	14.27%	6.01%	-296 bps	530 bps

Source: Company reports and J.P. Morgan estimates. Note: Growth rates are linked quarter annualized.

Investment Thesis, Valuation and Risks

Webster Financial Corporation (*Overweight; Price Target: \$68.00*)

Initiatives on Track to Drive PTPP Growth; HSA Poised to Rebound as Economy Recovers; Maintain Overweight

A continuing theme on regional banks is that it's going to be rough sledding for many banks to drive material PTPP income growth in 2021 and 2022 (our coverage group expected to grow PTPP income by 1% in 2021 and a limited 6% in 2022). While Webster is not immune to the revenue headwinds related to the low interest rate environment, the bank is taking action to drive PTPP income growth (JPMe: 10-16% range in 2021/2022) despite these challenges. Webster's CEO announced recently its strategic initiative to drive top line growth as well as reduce expenses in the 8-10% range by the end of 4Q21. On top of the material cost saves, the bank is also reinvesting back into the business with potential revenue benefits from the plan likely to be better understood in the coming quarters. To this end, over the next two years, in the backdrop of the industry likely struggling to drive strong PTPP income growth, not only do we see Webster pulling ahead of the pack, but each quarter through 2021 we see the moat widening each quarter. In addition to a better than peer PTPP income outlook, credit trends at the bank have been improving over the past two quarters with Webster releasing reserves in 4Q20 due to an improving economic outlook. With an improved economic outlook, another tailwind for Webster is in the form of HSA Bank's business rebounding from an improved economic situation in the second half of 2021. In fact, as the economy contracted in 2020, employers look to manage healthcare benefit costs with HSAs and new employer enrollment up 25% as a result. While new employers are not the main driver of growth at HSA Bank, as the employer seasons and adds more employees enrolled, this becomes a tailwind for the HSA business while an improved labor market will provide an additional tailwind. As a result, we maintain our Overweight rating.

In addition to the newly announced initiatives, Webster also offers two hidden assets at the company that we've written on extensively on over the past several years, including the commercial lending capability as well as the HSA business. While the market has turned less optimistic on these hidden assets, we see the company as remaining in a unique position from a growth perspective, largely tied to the HSA business providing unique levers to the company. Starting with Webster's commercial loan portfolio, which totals \$14.9B in loans and consist of \$8.6B in C&I loans (40% of total loans) and \$6.3B in CRE loans (29% of total loans). The C&I portfolio, which includes middle market C&I, equipment finance, and asset based lending are all led by veteran bankers with near 20 years' experience each with Webster. Unique to Webster's commercial business is the sponsor and specialty finance group, which has grown into a \$3.5B portfolio focused on private equity sponsored businesses, which includes \$1.2B in leveraged loans. Beneath the hood of this portfolio, we find a division built organically from the ground up by the current CEO John Ciulla and the head of Commercial Banking Chris Motl since the early 2000s. Additionally, the sponsor and specialty finance portfolio focuses on industries that are less impacted by COVID-19 including technology and infrastructure, healthcare, and media.

As an additional potential lever for the stock, we also see an opportunity for a revaluation of the HSA business. In fact, with WBS shares trading in line to peers on a P/E basis, it appears that the former premium valuation being applied to the HSA

business has been dampened. We see the lack of enthusiasm today over the HSA business being tied to (1) with rates coming down, the opportunity to benefit from a low-cost deposit source has diminished, and (2) the growth rates within the HSA business have also subsided with accounts declining at a 10% y/y pace in 2020. With that said, however, while we don't necessarily expect the opportunity to earn outsized returns over low cost deposits to change anytime soon, we do see an opportunity for account and deposit growth trends to improve. In fact, the company noted on the fourth quarter earnings call that it saw a very good new employer sales season with new employers enrollment up 25% being a positive early sign for the HSA business to rebound when the economy reopens and the employment situations improves.

Alongside Webster's three business units of HSA Bank, Commercial Bank and Community Bank, the bank has different technology strategies for each business. On the Community Bank front where the bank competes for retail customers in its markets, the bank is taking the approach of offering at-peer level technology while taking opportunities to differentiate in its markets with recently rolled out ITMs to allow customers to do banking outdoors virtually with a live banker instead of walking into a branch as an example. Meanwhile the key areas to differentiate on technology is in the HSA Bank and the Commercial Bank, where it can maintain a competitive edge when combining face to face relationships with targeted investments in technology and capabilities. On the Commercial Banking side, the bank offers different tiers of technology offerings for treasury management solutions such as Webster Online (for sole proprietor and small companies), Webster Cash Flow Pro (For growing businesses with Value or Complete Business checking accounts), and Webster Web-Link (for larger companies with complex cash management needs). Another example is in Webster's prior investments in FastTrack, a business banking automation tool to speed up processes by automating credit files and underwriting process allowed Webster to accept and process PPP loans more efficiently. Meanwhile in HSA Bank, Webster has unique technology tools to enable HSA customers to manage healthcare savings, access self-service dashboards (myHealth Portfolio), expense trackers, payment managers, online bill pay, as well as a mobile app. Equipped with a technology focus with specific strategy for each of the bank's three businesses, Webster has tools need to achieve its three objectives to driving growth at the bank including (1) accelerate growth in Commercial, (2) drive HSA Bank growth, and (3) strengthen Community Banking in core markets.

All-in, with the help of new strategic initiatives driving topline growth as well as cost saves which should lead to above peer PTPP income growth in 2021/2022, we see the stock as undervalued at current levels. Not to mention that with HSA Bank's earnings stream inside of Webster being valued at 17x 2022e EPS on a sum of the parts basis, we see HSA Bank as also being materially undervalued with HSA pure-play HealthEquity trading at 47x 2022e consensus estimates. As a result, we maintain our Overweight rating.

Estimate Revisions

We are increasing our 2021e and 2022e core EPS estimates from \$3.69 to \$3.80 and \$4.26 to \$4.58, respectively. We are also introducing our 2023e core EPS estimate of \$5.22. We note that in our estimates, we assume the forward curve.

Valuation

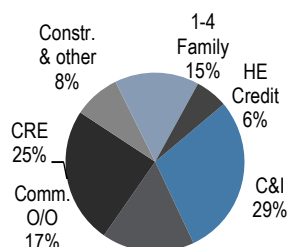
WBS shares currently trade at 12.1x 2022e EPS, or in line with peers. We are establishing our December 2022 price target of \$68 (as compared to our December 2021 price target of \$58), which assumes shares trade at 13.0x 2023e EPS, or at a 7% premium to peers. As the higher-multiple HSA business grows to represent more of the bottom line at WBS, we see overall multiple expansion on top of solid EPS growth as the key driver of outperformance of the shares, and we maintain our Overweight rating on the shares.

Risks to Rating and Price Target

We believe there are three primary risks to our Overweight rating and price target.

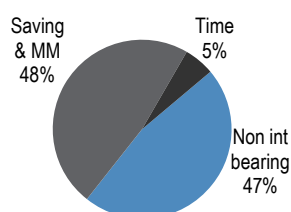
- **Downside: HSA business.** With HSA deposits at \$7.1B as of the most recent quarter (26% of deposits) and the fed funds rate now near 0%, if HSA deposits are not able to decline from the current 0.09% rate, this could limit the levers WBS can pull to offset earning asset yield pressures. Also, if HSA deposits increased slower than expected, this could result in a lower benefit to NIM as well as fee revenue generation, which would lead to shares underperforming peers.
- **Downside: Efficiency ratio.** With the company having announced efficiency initiatives in 3Q20, which should result in the reduction in expense base by 8-10% by 4Q21, we expect a reduction in the efficiency ratio to the 52% range in 2022. If the company's efficiency ratio comes in well above our forecast, this could weigh on shares.
- **Downside: Rate sensitivity.** The company being slightly more sensitive to the long end of the curve could weigh on Webster's margin. With the 10-year yield above 1.6% now and the 2/10 spread hovering in the 150 bps range, should the curve fail to steepen or flatten, this could pressure yields and result in lower than expected NIM.

Figure 109: ZION Loan Mix



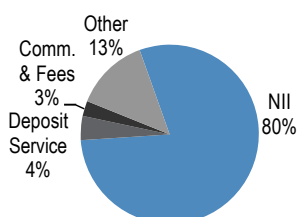
Source: Company reports.

Figure 110: ZION Deposit Mix



Source: Company reports.

Figure 111: ZION LTM Revenue Mix



Source: Company reports.

Table 91: ZION Line Item Estimate vs. Consensus

	JPM	Cons	Diff
Revenue	684	706	-3%
NII	536	559	-4%
Fee Income	148	142	4%
Expenses	420	423	-1%
LLP	42	18	NM
Core Net Income	156	191	-18%
Avg. Dil. Shares	162,920	164,027	-1%
NIM	2.91%	3.01%	-0.10%
Efficiency Ratio	61.42%	60.26%	1.16%

Source: SNL Financial and J.P. Morgan estimates. Note: Consensus is based on SNL mean estimates. Line items may not be comparable.

Zions 1Q21 Preview (ZION, N)

Table 92: Estimate Comparison versus Consensus

	1Q21E	2021E	2022E
JPM	\$0.96	\$4.07	\$4.45
Cons.	\$1.14	\$4.25	\$4.11
Diff.	(\$0.18)	(\$0.18)	\$0.34

Source: Bloomberg Finance L.P. and J.P. Morgan estimates.

Significant First-Quarter Items

• Items to watch out for during 1Q21 earnings:

- 4Q20 average loan balances declined at a 7.4% annualized pace. We note that in its mid-quarter update, Comerica indicated that 1QTD average loan balances through 2/28 had decreased at a 1.6% unannualized pace. We will look to see if Zions' loan growth in 1Q21 has trended at a similar pace. However, Zions noted at a recent conference that loan growth should pick up in 2H21 (mostly coming from C&I and CRE).
- We will watch for any early signs of success that Zions has had with migrating the over 15K new relationships that came from the PPP program (out of the 47K total PPP customers that Zions served) and the degree to which Zions is able to cross-sell products to these new customers.

• Incremental updates during 1Q21:

- On 2/5, Zions announced a new common share repurchase program of \$50mm for 1Q21 only.

• Quick take on expected fundamental trends in 1Q21:

- **Core EPS:** We forecast core EPS of \$0.96, \$0.18 below consensus.
- **NIM:** We expect NIM to decline 4 bps during the quarter.

- **Prior management outlook** (1) Loans (ex-PPP) to slightly increase; (2) Net interest income slightly increase; (3) Fee income to slightly increase; (4) Expenses generally stable; (5) Mortgage banking income to remain weak if long-term rates rise.

Table 93: Selected Financial Projections (in \$ millions, except EPS)

	1Q21E	4Q20	1Q20	Ann. Chg	Y/Y Chg
Core EPS	\$0.96	\$1.59	\$0.12	NM	NM
Net Interest Income	536	557	555	-15.1%	-3.4%
Fee Income	148	146	151	4.3%	-2.3%
Expenses	420	423	407	-2.9%	3.2%
PTPP Income	264	280	299	-23.3%	-11.8%
Loan Loss Provision	42	-67	258	NM	-83.7%
Pre-tax income	215	359	16	-160.4%	1277.3%
Taxes	49	75	2	-136.3%	2372.6%
Net Income	156	275	6	-173.1%	2679.9%
Avg Earning Assets	74,652	75,187	65,363	-2.8%	14.2%
Average Loans	52,236	53,974	48,797	-12.9%	7.0%
Average Deposits	66,497	68,266	56,909	-10.4%	16.8%
Net Interest Margin	2.91%	2.95%	3.41%	-4 bps	-50 bps
Reserve/Loan Ratio	1.45%	1.45%	1.46%	0 bps	-1 bps
TCE/TA	8.08%	7.84%	8.36%	25 bps	-28 bps
ROTE	9.86%	16.81%	1.39%	-695 bps	846 bps

Source: Company reports and J.P. Morgan estimates. Note: Growth rates are linked quarter annualized.

Zions Bancorp NA (Neutral; Price Target: \$62.00)

While Zions' Technology Initiative Could Position the Stock as a Long-Term Winner, We Wait for These Actions to Translate Into Stronger Top-Line Growth After Navigating a NIM/PTPP Headwind in 2021; Maintain Neutral

Zions has rolled out in recent years many new technology products not only to help streamline back end operations including its continued upgrade of its core platform but also client-facing tools such as a digital mortgage application and online account opening. In fact, 2020 was no exception to new product launches or upgrades even with the backdrop of the pandemic. While we believe these efforts could position as a long-term winner, the near-term is likely to remain challenged for the company as earning asset yields drift lower before bottoming out in mid-2021. As a result, although Zions, along with peers, remains flush with liquidity, even with the recent steepening of the yield curve, generating any type of spread will be a challenge in the coming quarters. In addition, with loan growth remaining sluggish for at least the early part of 2021, it will likely be tough to offset NIM pressure with volume growth. As a result, we expect PTPP income growth to trail peers in 2021 (-6.3% for Zions vs. peers at +1.4%). Consequently, we maintain our Neutral rating. With that said, however, given the remarkable success of the PPP program, this could serve as a progress report card that the technology initiatives at the company could earn Zions a seat at the winner's table. As a result, this is a story that we remain very interested in.

Zions has recently introduced a host of new products and services by using the parts of the core platform that have already been upgraded. For example, some of the client-facing products that the company has rolled out thus far include:

1. **Treasury Internet Banking 2.0:** provides treasury customers more flexibility in managing multiple accounts while offering additional functionality that was asked for by users. Digital onboarding is now available for more than 16 treasury management products and turnaround time has been reduced by 75% for the setup of new treasury products.
2. **Digital Mortgage Loan Application:** Zions offers clients the ability to automate certain processes of mortgage applications as well as provides digital verification of employment status, deposits, and income levels. The application process takes only 10-15 minutes to complete and offers a 24-hour automated underwriting system. Zions' digital mortgage applications as a percentage of total applications rose from zero in September 2018 to 87% in 2020.
3. **Mobile Positive Pay:** a verification service that helps businesses locate and report fraud and unauthorized payments for both checks and electronic ACH transactions. Mobile Positive Pay supports 50% of Zions' treasury customers.
4. **Digital Account Opening:** a simplified way for small businesses and retail customers to open deposit accounts, credit card accounts, and apply for consumer loans online. Today, Zions is able to open accounts online in as little as five minutes (vs. prior of 3-5 days).
5. **Deposit Product Simplification:** historically at its peak, Zions offered as many as 547 different deposit products across its franchise. Now, Zions offers just 100 products for 1.5 million accounts.

In addition to the client-facing products above, Zions has also rolled out new internal products to help empower its bankers. These products include:

1. **Intelligent Real-Time Interactive System (IRIS)**: internally-developed artificial intelligence sales platform that provides Zions' bankers with the ability to suggest next-best product recommendations through information located in a data warehouse.
2. **Auto-spreading tool**: automatically records a customer's financial statements data into Zions' databases (without the usage of a human). A potential customer's financial statements data can also be examined in 2-4 minutes to inform him or her the amount of funding that he or she may borrow. This quick decisioning ability is important as a banker does not have to leave a potential borrower's office (which would be an opportunity for a borrower to find another bank to use).

While we applaud the efforts that Zions has taken over the past several years from a technology and customer experience point of view (with much more still in the pipeline), at this stage we remain on the sidelines until these efforts start translating into a more material level of top-line growth. Moreover, we expect the company will face a NIM and PTPP income growth headwind in 2021, before trending in line with peers in 2022/2023. While the company may have done a good job over the last several years on improving risk management, with the market already reflecting these improvements in the valuation of Zions' shares, the stock appears fairly valued to us. Even though we appreciate the actions by the company over the past several years to create what could be the strongest version of Zions since inception, we see total return expectations as being in the zip code of peers. As a result, we maintain our Neutral rating.

Estimate Revisions

We are increasing our 2021e and 2022e core EPS estimates from \$3.92 to \$4.07 and \$4.03 to \$4.45, respectively. We are also introducing our 2023e core EPS estimate of \$5.05. We note that in our estimates, we assume the forward curve.

Valuation

ZION shares currently trade at 12.1x 2022e EPS, or a 3% premium to peers. We are establishing our December 2022 price target of \$62 (as compared to our December 2021 price target of \$53), which assumes shares trade at 12.3x 2023e EPS, or in line with peers. With total return potential in line with peers, we maintain our Neutral rating.

Risks to Rating and Price Target

We believe there are three primary risks to our Neutral rating and price target.

- **Upside/Downside: Expense outlook.** To counter some of the headwinds from lower rates, the company reduced its workforce (by 5%) which will help improve its operating efficiency. This should allow Zions to limit its expense growth. Should there be additional areas of expense reductions, shares could outperform peers. Conversely, should the path for expenses come in higher than expected, shares could underperform peers.
- **Upside: Loan growth.** While the entire bank industry continues to be challenged on loan growth due to the economic environment, Zions may have opportunities to use technology to expand customer relationships. For example, Zions provided loans to 47K customers under the Paycheck Protection Program, and about 15K of these came from new relationships. If Zions is successful in converting both

existing and new customer relationships into deeper relationships, which include loan opportunities, shares could outperform peers.

- **Upside/Downside: Credit quality.** In the 4Q20 earnings slides, Zions called out certain lending portfolios that could face intense pressure due to the COVID-19 pandemic totaling \$4.0B or 8.4% of total loans (ex-PPP), including industries such as retail CRE at 2.3% and hotels-motels at 1.3%. Additionally, Zions has oil and gas loans that make up 4.8% of loans. Any credit issues that surface in these books could put downward pressure on ZION shares. However, if credit quality metrics remain better than peers, shares could outperform peers.

Amalgamated Financial Corp: Summary of Financials

Income Statement - Annual						Income Statement - Quarterly					
	FY19A	FY20A	FY21E	FY22E	FY23E		1Q21E	2Q21E	3Q21E	4Q21E	
Interest income	167	180	179	196	213	Interest income	43	44	46	47	
Interest expense	-	-	-	-	-	Interest expense	-	-	-	-	
Net interest income	167	180	179	196	213	Net interest income	43	44	46	47	
Non interest income	29	30	30	31	32	Non interest income	7	7	8	8	
Net revenues	196	210	209	227	246	Net revenues	50	51	53	55	
Provisions	(4)	(25)	(12)	(13)	(10)	Provisions	(3)	(3)	(3)	(3)	
Non interest expense	(125)	(124)	(128)	(134)	(143)	Non interest expense	(32)	(32)	(31)	(32)	
Employee costs	-	-	-	-	-	Employee costs	-	-	-	-	
Adj. PBT	64	55	68	80	92	Adj. PBT	14	16	18	20	
Income taxes	(17)	(16)	(17)	(21)	(24)	Income taxes	(3)	(4)	(5)	(5)	
Minority interest	0	0	0	0	0	Minority interest	0	0	0	0	
Adj. Net profit	48	45	50	59	68	Adj. Net profit	11	12	14	14	
Reported EPS	1.47	1.48	1.48	1.92	2.24	Reported EPS	0.25	0.34	0.42	0.47	
Adj. EPS	1.50	1.43	1.61	1.91	2.24	Adj. EPS	0.34	0.37	0.44	0.46	
DPS	0.26	0.32	0.32	0.40	0.48	DPS	0.08	0.08	0.08	0.08	
Diluted shares outstanding	32	31	31	31	30	Diluted shares outstanding	31	31	31	31	
Balance Sheet						Balance Sheet					
	FY19A	FY20A	FY21E	FY22E	FY23E		1Q21E	2Q21E	3Q21E	4Q21E	
Cash and cash equivalents	123	39	144	124	74	Cash and cash equivalents	289	239	144	144	
Net loans	3,439	3,447	3,487	3,669	3,903	Net loans	3,250	3,324	3,401	3,487	
PP&E	-	-	-	-	-	PP&E	-	-	-	-	
Net intangibles	20	18	18	18	18	Net intangibles	18	18	18	18	
LT investments	-	-	-	-	-	LT investments	-	-	-	-	
Total assets	5,325	5,979	6,460	6,798	7,176	Total assets	6,231	6,299	6,327	6,460	
Interest earning assets	-	-	-	-	-	Interest earning assets	-	-	-	-	
Total deposits	4,641	5,339	5,800	6,037	6,397	Total deposits	5,545	5,664	5,765	5,800	
Borrowings	-	-	-	-	-	Borrowings	-	-	-	-	
Total liabilities	4,835	5,443	5,888	6,191	6,528	Total liabilities	5,690	5,750	5,768	5,888	
Interest bearing liabilities	-	-	-	-	-	Interest bearing liabilities	-	-	-	-	
Shareholder equity	491	536	572	607	648	Shareholder equity	541	549	560	572	
Total Liabilities and Shareholder Equity	5,325	5,979	6,460	6,798	7,176	Total Liabilities and Shareholder Equity	6,231	6,299	6,327	6,460	
Book Value Per Share	15.56	17.26	18.42	19.93	21.35	Book Value Per Share	17.43	17.68	18.03	18.42	
Tangible Book Value Per Share	14.93	16.66	17.83	19.33	20.74	Tangible Book Value Per Share	16.83	17.09	17.43	17.83	
Ratio Analysis (%)						Ratio Analysis (%)					
	FY19A	FY20A	FY21E	FY22E	FY23E		FY19A	FY20A	FY21E	FY22E	FY23E
Net interest margin	3.6%	3.1%	3.1%	3.2%	3.3%	Net loans y/y growth	7.1%	0.2%	1.2%	5.2%	6.4%
Non interest income/Net Revenue	14.9%	14.3%	14.3%	13.8%	13.2%	Deposits y/y growth	13.0%	15.0%	8.6%	4.1%	6.0%
Efficiency ratio	63.9%	59.0%	61.0%	58.8%	58.3%	Net interest income y/y growth	10.7%	8.0%	(0.6%)	9.5%	8.9%
Tier 1 ratio	13.0%	13.8%	13.7%	13.8%	13.9%	Adj. EPS y/y growth	8.4%	(4.2%)	12.4%	18.5%	17.6%
CAR	13.0%	13.1%	13.7%	13.8%	0.0%	BVPS y/y growth	12.5%	10.9%	6.7%	8.2%	7.1%
Leverage Ratio	9.2%	9.0%	9.3%	9.4%	9.5%						
Adj. net profit/employee	-	-	-	-	-	Return on assets (ROA)	1.0%	0.7%	0.8%	0.9%	1.0%
Assets/employee	-	-	-	-	-	Return on equity (ROE)	10.2%	8.8%	9.1%	10.0%	10.8%
Assets/equity	10.5	11.9	11.4	11.2	11.1	Return on tangible equity (ROTE)	10.8%	9.4%	9.5%	10.4%	11.2%
Loans/deposits	74.1%	64.6%	60.1%	60.8%	61.0%	P/BV (x)	1.0	0.9	0.9	0.8	0.8
NPAs / gross loans, OREO	-	-	-	-	-	P/TBV (x)	1.1	1.0	0.9	0.8	0.8
Net chargeoffs / average loans	0.2%	0.5%	0.4%	0.3%	0.2%	Adj. P/E (x)	10.8	11.3	10.1	8.5	7.2
Loan loss reserves / loans	1.0%	1.2%	1.1%	1.1%	1.0%	Dividend yield	1.6%	2.0%	2.0%	2.5%	3.0%
Loan loss reserves / NPLs	109.1%	68.3%	74.0%	85.9%	79.4%	Dividend payout	17.7%	21.7%	21.6%	20.8%	21.4%

Source: Company reports and J.P. Morgan estimates. Note: Historical share count adjusted to reflect the 20-for-1 stock split announced on 7/20/18.

Note: \$ in millions (except per-share data). Fiscal year ends Dec

BankUnited: Summary of Financials

Income Statement - Annual						Income Statement - Quarterly					
	FY19A	FY20A	FY21E	FY22E	FY23E		1Q21E	2Q21E	3Q21E	4Q21E	
Interest income	774	767	855	946	1,043	Interest income	203	210	217	225	
Interest expense	-	-	-	-	-	Interest expense	-	-	-	-	
Net interest income	774	767	855	946	1,043	Net interest income	203	210	217	225	
Non interest income	126	115	120	125	129	Non interest income	28	29	30	32	
Net revenues	900	882	975	1,071	1,172	Net revenues	231	239	248	256	
Provisions	0	(181)	(82)	(87)	(92)	Provisions	(20)	(20)	(21)	(21)	
Non interest expense	(449)	(439)	(480)	(513)	(546)	Non interest expense	(125)	(117)	(118)	(120)	
Employee costs	-	-	-	-	-	Employee costs	-	-	-	-	
Adj. PBT	416	249	394	450	511	Adj. PBT	82	97	104	111	
Income taxes	(91)	(52)	(98)	(112)	(120)	Income taxes	(20)	(24)	(26)	(28)	
Minority interest	0	0	0	0	0	Minority interest	0	0	0	0	
Adj. Net profit	293	174	287	330	383	Adj. Net profit	59	71	76	81	
Reported EPS	3.26	2.04	3.19	3.75	4.46	Reported EPS	0.65	0.78	0.85	0.91	
Adj. EPS	3.06	1.90	3.19	3.75	4.46	Adj. EPS	0.65	0.78	0.85	0.91	
DPS	0.84	0.92	0.92	0.92	0.92	DPS	0.23	0.23	0.23	0.23	
Diluted shares outstanding	96	92	90	88	86	Diluted shares outstanding	91	90	90	89	
Balance Sheet						Balance Sheet					
	FY19A	FY20A	FY21E	FY22E	FY23E		1Q21E	2Q21E	3Q21E	4Q21E	
Cash and cash equivalents	215	398	398	398	398	Cash and cash equivalents	398	398	398	398	
Net loans	23,155	23,866	24,652	26,112	27,492	Net loans	24,259	24,275	24,339	24,652	
PP&E	-	-	-	-	-	PP&E	-	-	-	-	
Net intangibles	78	78	78	78	78	Net intangibles	78	78	78	78	
LT investments	-	-	-	-	-	LT investments	-	-	-	-	
Total assets	32,871	35,010	36,422	38,091	40,085	Total assets	35,592	35,780	35,990	36,422	
Interest earning assets	-	-	-	-	-	Interest earning assets	-	-	-	-	
Total deposits	24,395	27,496	28,908	30,576	32,570	Total deposits	28,077	28,266	28,476	28,908	
Borrowings	-	-	-	-	-	Borrowings	-	-	-	-	
Total liabilities	29,891	32,027	33,338	34,861	36,655	Total liabilities	32,596	32,761	32,941	33,338	
Interest bearing liabilities	24,395	27,496	28,908	30,576	32,570	Interest bearing liabilities	28,077	28,266	28,476	28,908	
Shareholder equity	2,981	2,983	3,084	3,229	3,430	Shareholder equity	2,996	3,020	3,049	3,084	
Total Liabilities and Shareholder Equity	32,871	35,010	36,422	38,091	40,085	Total Liabilities and Shareholder Equity	35,592	35,780	35,990	36,422	
Book Value Per Share	31.33	31.36	33.25	35.65	38.70	Book Value Per Share	31.70	32.16	32.68	33.25	
Tangible Book Value Per Share	30.52	30.54	32.41	34.79	37.82	Tangible Book Value Per Share	30.88	31.33	31.84	32.41	
Ratio Analysis (%)						Ratio Analysis (%)					
	FY19A	FY20A	FY21E	FY22E	FY23E		FY19A	FY20A	FY21E	FY22E	FY23E
Net interest margin	2.5%	2.3%	2.5%	2.6%	2.7%	Net loans y/y growth	5.9%	3.1%	3.3%	5.9%	5.3%
Non interest income/Net Revenue	14.0%	13.1%	12.3%	11.7%	11.0%	Deposits y/y growth	3.9%	12.7%	5.1%	5.8%	6.5%
Efficiency ratio	49.9%	49.8%	49.2%	47.9%	46.6%	Net interest income y/y growth	(27.9%)	(0.9%)	11.5%	10.6%	10.3%
Tier 1 ratio	12.1%	12.0%	12.1%	12.1%	12.2%	Adj. EPS y/y growth	(6.7%)	(38.0%)	67.9%	17.6%	18.9%
CAR	12.2%	12.2%	12.1%	14.0%	14.0%	BVPS y/y growth	14.5%	0.1%	6.0%	7.2%	8.5%
Leverage Ratio	34.5%	34.2%	35.3%	35.3%	35.5%						
Adj. net profit/employee	-	-	-	-	-	Return on assets (ROA)	0.89%	0.51%	0.80%	0.89%	0.98%
Assets/employee	-	-	-	-	-	Return on equity (ROE)	10.0%	6.1%	9.5%	10.5%	11.5%
Assets/equity	11.1	12.0	11.8	11.8	11.8	Return on tangible equity (ROTE)	10.3%	6.5%	9.7%	10.7%	11.7%
Loans/deposits	94.9%	86.8%	85.3%	85.4%	84.4%	P/BV (x)	1.4	1.4	1.3	1.2	1.1
NPAs / gross loans, OREO	0.9%	1.0%	1.4%	1.0%	0.9%	P/TBV (x)	1.4	1.4	1.3	1.2	1.1
Net chargeoffs / average loans	0.0%	0.3%	0.4%	0.4%	0.4%	Adj. P/E (x)	14.2	22.9	13.6	11.6	9.7
Loan loss reserves / loans	0.0%	0.0%	0.0%	0.0%	0.8%	Dividend yield	1.9%	2.1%	2.1%	2.1%	2.1%
Loan loss reserves / NPLs	0.0%	0.0%	0.0%	0.0%	91.8%	Dividend payout	25.8%	45.1%	28.9%	24.5%	20.6%

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Dec

Cadence Bancorporation: Summary of Financials

Income Statement - Annual						Income Statement - Quarterly					
	FY19A	FY20A	FY21E	FY22E	FY23E		1Q21E	2Q21E	3Q21E	4Q21E	
Interest income	653	621	610	586	604	Interest income	155	151	152	152	
Interest expense	-	-	-	-	-	Interest expense	-	-	-	-	
Net interest income	653	621	610	586	604	Net interest income	155	151	152	152	
Non interest income	128	131	138	141	143	Non interest income	33	34	35	36	
Net revenues	781	752	748	726	748	Net revenues	188	186	187	187	
Provisions	(111)	(278)	(42)	(44)	(45)	Provisions	(11)	(10)	(11)	(11)	
Non interest expense	(355)	(356)	(371)	(384)	(396)	Non interest expense	(92)	(92)	(93)	(94)	
Employee costs	-	-	-	-	-	Employee costs	-	-	-	-	
Adj. PBT	262	(178)	311	297	303	Adj. PBT	80	77	77	76	
Income taxes	(60)	(27)	(72)	(68)	(70)	Income taxes	(18)	(18)	(18)	(18)	
Minority interest	0	0	0	0	0	Minority interest	0	0	0	0	
Adj. Net profit	222	76	240	229	234	Adj. Net profit	62	60	60	59	
Reported EPS	1.57	(1.63)	1.94	1.92	2.04	Reported EPS	0.49	0.48	0.49	0.48	
Adj. EPS	1.72	0.60	1.94	1.92	2.04	Adj. EPS	0.49	0.48	0.49	0.48	
DPS	0.70	0.35	0.60	0.60	0.60	DPS	0.15	0.15	0.15	0.15	
Diluted shares outstanding	129	126	123	119	115	Diluted shares outstanding	125	124	123	122	
Balance Sheet						Balance Sheet					
	FY19A	FY20A	FY21E	FY22E	FY23E		1Q21E	2Q21E	3Q21E	4Q21E	
Cash and cash equivalents	989	2,054	1,554	1,554	1,554	Cash and cash equivalents	1,554	1,554	1,554	1,554	
Net loans	12,864	12,352	12,533	12,925	13,314	Net loans	12,336	12,214	12,371	12,533	
PP&E	-	-	-	-	-	PP&E	-	-	-	-	
Net intangibles	591	127	127	127	125	Net intangibles	127	127	127	127	
LT investments	-	-	-	-	-	LT investments	-	-	-	-	
Total assets	17,785	18,713	18,044	18,467	19,100	Total assets	18,268	18,094	18,069	18,044	
Interest earning assets	-	-	-	-	-	Interest earning assets	-	-	-	-	
Total deposits	14,743	16,052	15,483	16,007	16,739	Total deposits	15,632	15,483	15,483	15,483	
Borrowings	-	-	-	-	-	Borrowings	-	-	-	-	
Total liabilities	15,325	16,591	15,857	16,223	16,790	Total liabilities	16,129	15,938	15,897	15,857	
Interest bearing liabilities	-	-	-	-	-	Interest bearing liabilities	-	-	-	-	
Shareholder equity	2,461	2,121	2,187	2,244	2,309	Shareholder equity	2,139	2,155	2,171	2,187	
Total Liabilities and Shareholder Equity	17,785	18,713	18,044	18,467	19,100	Total Liabilities and Shareholder Equity	18,268	18,094	18,069	18,044	
Book Value Per Share	19.29	16.84	18.05	19.22	20.50	Book Value Per Share	17.15	17.45	17.75	18.05	
Tangible Book Value Per Share	14.65	15.83	17.00	18.14	19.38	Tangible Book Value Per Share	16.13	16.42	16.71	17.00	
Ratio Analysis (%)						Ratio Analysis (%)					
	FY19A	FY20A	FY21E	FY22E	FY23E		FY19A	FY20A	FY21E	FY22E	FY23E
Net interest margin	4.0%	3.6%	3.4%	3.3%	3.3%	Net loans y/y growth	29.2%	(4.0%)	1.5%	3.1%	3.0%
Non interest income/Net Revenue	16.4%	17.5%	18.5%	19.4%	19.2%	Deposits y/y growth	37.7%	8.9%	(3.5%)	3.4%	4.6%
Efficiency ratio	45.5%	47.3%	49.6%	52.9%	53.0%	Net interest income y/y growth	67.3%	(4.9%)	(1.7%)	(4.0%)	3.2%
Tier 1 ratio	11.5%	14.0%	15.0%	15.1%	15.0%	Adj. EPS y/y growth	(16.6%)	(65.0%)	222.3%	(1.0%)	6.0%
CAR	-	-	-	-	-	BVPS y/y growth	10.6%	(12.7%)	7.2%	6.5%	6.6%
Leverage Ratio	10.1%	11.0%	11.4%	11.6%	11.7%						
Adj. net profit/employee	-	-	-	-	-	Return on assets (ROA)	1.26%	0.42%	1.32%	1.25%	1.24%
Assets/employee	-	-	-	-	-	Return on equity (ROE)	9.4%	3.5%	11.1%	10.3%	10.3%
Assets/equity	7.5	8.4	8.4	8.2	8.3	Return on tangible equity (ROTE)	13.2%	4.7%	12.6%	10.9%	10.9%
Loans/deposits	87.3%	76.9%	80.9%	80.7%	79.5%	P/BV (x)	1.0	1.2	1.1	1.0	1.0
NPAs / gross loans, OREO	1.0%	1.2%	1.5%	1.2%	1.0%	P/TBV (x)	1.4	1.3	1.2	1.1	1.0
Net chargeoffs / average loans	0.6%	0.8%	0.9%	0.7%	0.7%	Adj. P/E (x)	11.7	33.3	10.3	10.4	9.8
Loan loss reserves / loans	0.9%	2.9%	2.3%	1.8%	1.5%	Dividend yield	3.5%	1.7%	3.0%	3.0%	3.0%
Loan loss reserves / NPLs	100.1%	266.1%	176.1%	177.8%	179.2%	Dividend payout	44.7%	NM	30.9%	31.2%	29.5%

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Dec

Comerica Incorporated: Summary of Financials

Income Statement - Annual						Income Statement - Quarterly					
	FY19A	FY20A	FY21E	FY22E	FY23E		1Q21E	2Q21E	3Q21E	4Q21E	
Interest income	2,339	1,911	1,920	1,951	2,022	Interest income	470	482	483	484	
Interest expense	-	-	-	-	-	Interest expense	-	-	-	-	
Net interest income	2,339	1,911	1,920	1,951	2,022	Net interest income	470	482	483	484	
Non interest income	1,017	1,001	1,013	1,043	1,084	Non interest income	250	251	255	258	
Net revenues	3,356	2,912	2,933	2,994	3,106	Net revenues	720	733	738	742	
Provisions	(74)	(537)	(172)	(177)	(180)	Provisions	(42)	(43)	(43)	(44)	
Non interest expense	(1,743)	(1,784)	(1,839)	(1,868)	(1,916)	Non interest expense	(455)	(459)	(461)	(464)	
Employee costs	-	-	-	-	-	Employee costs	-	-	-	-	
Adj. PBT	1,532	591	923	949	1,011	Adj. PBT	223	231	234	235	
Income taxes	(334)	(117)	(203)	(214)	(161)	Income taxes	(49)	(51)	(52)	(52)	
Minority interest	(4)	0	0	0	0	Minority interest	0	0	0	0	
Adj. Net profit	1,181	459	698	714	827	Adj. Net profit	168	175	177	178	
Reported EPS	7.89	3.29	5.03	5.40	6.23	Reported EPS	1.20	1.25	1.28	1.30	
Adj. EPS	7.80	3.27	5.03	5.41	6.23	Adj. EPS	1.20	1.25	1.28	1.30	
DPS	2.68	2.72	2.72	2.72	2.72	DPS	0.68	0.68	0.68	0.68	
Diluted shares outstanding	151	140	139	132	133	Diluted shares outstanding	140	140	138	136	
Balance Sheet						Balance Sheet					
	FY19A	FY20A	FY21E	FY22E	FY23E		1Q21E	2Q21E	3Q21E	4Q21E	
Cash and cash equivalents	4,845	14,736	11,736	10,736	10,736	Cash and cash equivalents	14,736	13,736	12,736	11,736	
Net loans	49,732	51,343	51,409	52,425	52,841	Net loans	51,305	51,257	51,057	51,409	
PP&E	-	-	-	-	-	PP&E	-	-	-	-	
Net intangibles	639	636	636	636	636	Net intangibles	636	636	636	636	
LT investments	-	-	-	-	-	LT investments	-	-	-	-	
Total assets	73,402	88,129	83,669	82,717	83,911	Total assets	89,404	87,176	84,911	83,669	
Interest earning assets	-	-	-	-	-	Interest earning assets	-	-	-	-	
Total deposits	57,295	72,869	68,659	68,207	69,223	Total deposits	74,144	71,916	69,776	68,659	
Borrowings	-	-	-	-	-	Borrowings	-	-	-	-	
Total liabilities	66,075	80,079	75,547	74,738	75,063	Total liabilities	81,281	78,973	76,749	75,547	
Interest bearing liabilities	-	-	-	-	-	Interest bearing liabilities	-	-	-	-	
Shareholder equity	7,327	8,050	8,123	7,979	8,848	Shareholder equity	8,123	8,203	8,162	8,123	
Total Liabilities and Shareholder Equity	73,402	88,129	83,669	82,717	83,911	Total Liabilities and Shareholder Equity	89,404	87,176	84,911	83,669	
Book Value Per Share	51.56	57.84	59.95	62.07	66.19	Book Value Per Share	58.37	58.95	59.44	59.95	
Tangible Book Value Per Share	47.07	53.27	55.26	57.12	61.43	Tangible Book Value Per Share	53.80	54.38	54.81	55.26	
Ratio Analysis (%)						Ratio Analysis (%)					
	FY19A	FY20A	FY21E	FY22E	FY23E		FY19A	FY20A	FY21E	FY22E	FY23E
Net interest margin	3.5%	2.5%	2.5%	2.6%	2.7%	Net loans y/y growth	0.5%	3.2%	0.1%	2.0%	0.8%
Non interest income/Net Revenue	30.3%	34.4%	34.6%	34.8%	34.9%	Deposits y/y growth	3.1%	27.2%	(5.8%)	(0.7%)	1.5%
Efficiency ratio	51.9%	61.3%	62.7%	62.4%	61.7%	Net interest income y/y growth	(0.6%)	(18.3%)	0.4%	1.6%	3.7%
Tier 1 ratio	10.1%	10.3%	11.0%	10.9%	12.1%	Adj. EPS y/y growth	7.6%	(58.0%)	53.5%	7.5%	15.2%
CAR	10.1%	10.3%	11.0%	10.9%	12.1%	BVPS y/y growth	10.0%	12.2%	3.6%	3.5%	6.6%
Leverage Ratio	9.7%	8.5%	8.1%	8.3%	9.3%						
						Return on assets (ROA)	1.65%	0.57%	0.80%	0.86%	0.99%
Adj. net profit/employee	-	-	-	-	-	Return on equity (ROE)	16.1%	6.0%	8.6%	8.9%	9.8%
Assets/employee	-	-	-	-	-	Return on tangible equity (ROTE)	17.7%	6.4%	9.3%	9.7%	10.5%
Assets/equity	9.7	10.5	10.7	10.3	9.9						
Loans/deposits	86.8%	70.5%	74.9%	76.9%	76.3%	P/BV (x)	1.3	1.2	1.1	1.1	1.0
NPAs / gross loans, OREO	0.4%	0.7%	0.9%	0.7%	0.5%	P/TBV (x)	1.5	1.3	1.2	1.2	1.1
Net chargeoffs / average loans	0.2%	0.4%	0.6%	0.5%	0.4%	Adj. P/E (x)	8.8	21.0	13.7	12.7	11.0
Loan loss reserves / loans	1.3%	1.8%	1.6%	1.4%	1.4%	Dividend yield	3.9%	4.0%	4.0%	4.0%	4.0%
Loan loss reserves / NPLs	320.1%	273.2%	184.1%	226.2%	285.7%	Dividend payout	34.0%	82.7%	54.1%	50.4%	43.7%

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Dec

Cullen/Frost Bankers Inc.: Summary of Financials

Income Statement - Annual	FY19A	FY20A	FY21E	FY22E	FY23E	Income Statement - Quarterly	1Q21E	2Q21E	3Q21E	4Q21E	
Interest income	1,101	1,071	1,027	1,076	1,142	Interest income	251	254	260	262	
Interest expense	-	-	-	-	-	Interest expense	-	-	-	-	
Net interest income	1,101	1,071	1,027	1,076	1,142	Net interest income	251	254	260	262	
Non interest income	360	350	365	383	406	Non interest income	92	90	92	92	
Net revenues	1,460	1,421	1,392	1,459	1,548	Net revenues	344	344	351	354	
Provisions	(34)	(241)	(39)	(42)	(43)	Provisions	(10)	(10)	(10)	(10)	
Non interest expense	(834)	(843)	(887)	(921)	(959)	Non interest expense	(226)	(221)	(218)	(222)	
Employee costs	-	-	-	-	-	Employee costs	-	-	-	-	
Adj. PBT	499	351	374	400	431	Adj. PBT	85	90	100	98	
Income taxes	(56)	(20)	(37)	(40)	(43)	Income taxes	(9)	(9)	(10)	(10)	
Minority interest	0	0	0	0	0	Minority interest	0	0	0	0	
Adj. Net profit	431	222	330	353	381	Adj. Net profit	75	79	89	87	
Reported EPS	6.87	5.14	5.27	5.72	6.26	Reported EPS	1.19	1.27	1.42	1.39	
Adj. EPS	6.80	3.52	5.27	5.72	6.26	Adj. EPS	1.19	1.27	1.42	1.39	
DPS	2.80	2.85	2.88	2.88	2.88	DPS	0.72	0.72	0.72	0.72	
Diluted shares outstanding	63	63	63	62	61	Diluted shares outstanding	63	63	63	62	
Balance Sheet	FY19A	FY20A	FY21E	FY22E	FY23E	Balance Sheet	1Q21E	2Q21E	3Q21E	4Q21E	
Cash and cash equivalents	3,432	10,288	9,288	9,288	9,288	Cash and cash equivalents	10,038	9,788	9,538	9,288	
Net loans	14,618	17,211	15,627	16,785	18,032	Net loans	15,829	15,370	15,497	15,627	
PP&E	-	-	-	-	-	PP&E	-	-	-	-	
Net intangibles	657	656	655	654	654	Net intangibles	656	656	655	655	
LT investments	-	-	-	-	-	LT investments	-	-	-	-	
Total assets	34,027	42,391	40,802	41,590	42,914	Total assets	41,358	40,932	40,864	40,802	
Interest earning assets	-	-	-	-	-	Interest earning assets	-	-	-	-	
Total deposits	27,640	35,016	33,427	34,215	35,539	Total deposits	33,983	33,557	33,489	33,427	
Borrowings	-	-	-	-	-	Borrowings	-	-	-	-	
Total liabilities	30,259	38,244	36,604	37,316	38,534	Total liabilities	37,206	36,771	36,683	36,604	
Interest bearing liabilities	-	-	-	-	-	Interest bearing liabilities	-	-	-	-	
Shareholder equity	3,768	4,148	4,198	4,274	4,380	Shareholder equity	4,152	4,162	4,181	4,198	
Total Liabilities and Shareholder Equity	34,027	42,391	40,802	41,590	42,914	Total Liabilities and Shareholder Equity	41,358	40,932	40,864	40,802	
Book Value Per Share	60.12	65.82	67.64	69.85	72.55	Book Value Per Share	66.16	66.56	67.12	67.64	
Tangible Book Value Per Share	49.63	55.41	57.08	59.16	61.73	Tangible Book Value Per Share	55.71	56.08	56.59	57.08	
Ratio Analysis (%)	FY19A	FY20A	FY21E	FY22E	FY23E	Ratio Analysis (%)	FY19A	FY20A	FY21E	FY22E	FY23E
Net interest margin	3.7%	3.0%	2.8%	2.9%	3.0%	Net loans y/y growth	4.7%	17.7%	(9.2%)	7.4%	7.4%
Non interest income/Net Revenue	24.6%	24.7%	26.2%	26.2%	26.2%	Deposits y/y growth	1.8%	26.7%	(4.5%)	2.4%	3.9%
Efficiency ratio	57.1%	59.3%	63.7%	63.2%	62.0%	Net interest income y/y growth	4.6%	(2.7%)	(4.1%)	4.8%	6.1%
Tier 1 ratio	13.0%	13.5%	14.2%	14.3%	14.3%	Adj. EPS y/y growth	(0.9%)	(48.2%)	49.7%	8.6%	9.4%
CAR	-	-	-	-	-	BVPS y/y growth	17.4%	9.5%	2.8%	3.3%	3.9%
Leverage Ratio	9.4%	8.4%	7.9%	8.1%	8.1%						
						Return on assets (ROA)	1.34%	0.58%	0.80%	0.86%	0.90%
Adj. net profit/employee	-	-	-	-	-	Return on equity (ROE)	11.4%	5.5%	7.9%	8.3%	8.8%
Assets/employee	-	-	-	-	-	Return on tangible equity (ROTE)	14.8%	6.7%	9.4%	9.9%	10.4%
Assets/equity	8.5	9.4	9.9	9.7	9.8						
Loans/deposits	52.9%	49.2%	46.7%	49.1%	50.7%	P/BV (x)	1.8	1.6	1.6	1.5	1.5
NPAs / gross loans, OREO	0.7%	0.4%	0.3%	0.2%	0.1%	P/TBV (x)	2.2	2.0	1.9	1.8	1.8
Net chargeoffs / average loans	0.2%	0.6%	0.5%	0.4%	0.3%	Adj. P/E (x)	15.9	30.8	20.5	18.9	17.3
Loan loss reserves / loans	0.9%	1.5%	1.4%	1.1%	1.0%	Dividend yield	2.6%	2.6%	2.7%	2.7%	2.7%
Loan loss reserves / NPLs	121.9%	439.3%	541.4%	731.4%	1031.0%	Dividend payout	40.8%	55.5%	54.7%	50.4%	46.0%

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Dec

Eastern Bankshares: Summary of Financials

Income Statement - Annual						Income Statement - Quarterly					
	FY19A	FY20A	FY21E	FY22E	FY23E		1Q21E	2Q21E	3Q21E	4Q21E	
Interest income	417	407	416	435	477	Interest income	103	104	105	105	
Interest expense	-	-	-	-	-	Interest expense	-	-	-	-	
Net interest income	417	407	416	435	477	Net interest income	103	104	105	105	
Non interest income	169	168	175	183	190	Non interest income	42	43	44	45	
Net revenues	586	574	591	619	667	Net revenues	146	147	149	150	
Provisions	(6)	(39)	(31)	(32)	(15)	Provisions	(8)	(8)	(8)	(8)	
Non interest expense	(409)	(395)	(391)	(406)	(426)	Non interest expense	(98)	(98)	(98)	(97)	
Employee costs	(252)	(257)	(256)	(269)	(287)	Employee costs	(65)	(64)	(64)	(63)	
Adj. PBT	170	34	169	181	226	Adj. PBT	40	41	44	45	
Income taxes	(39)	(13)	(36)	(39)	(49)	Income taxes	(8)	(9)	(9)	(10)	
Minority interest	-	-	-	-	-	Minority interest	-	-	-	-	
Adj. Net profit	139	112	136	145	183	Adj. Net profit	32	33	35	36	
Reported EPS	0.72	0.12	0.67	0.72	0.90	Reported EPS	0.16	0.16	0.17	0.18	
Adj. EPS	0.74	0.60	0.73	0.78	0.98	Adj. EPS	0.17	0.18	0.19	0.19	
DPS	0.00	0.00	0.24	0.28	0.28	DPS	0.06	0.06	0.06	0.06	
Diluted shares outstanding	187	187	187	187	187	Diluted shares outstanding	187	187	187	187	
Balance Sheet						Balance Sheet					
	FY19A	FY20A	FY21E	FY22E	FY23E		1Q21E	2Q21E	3Q21E	4Q21E	
Cash and cash equivalents	363	2,054	394	394	394	Cash and cash equivalents	1,054	834	614	394	
Net loans	8,981	9,731	9,437	10,074	10,694	Net loans	9,365	9,329	9,362	9,437	
PP&E	-	-	-	-	-	PP&E	-	-	-	-	
Net intangibles	378	377	377	377	377	Net intangibles	377	377	377	377	
LT investments	-	-	-	-	-	LT investments	-	-	-	-	
Total assets	11,629	15,964	15,705	16,069	16,439	Total assets	16,007	15,813	15,703	15,705	
Interest earning assets	8,981	9,731	9,437	10,074	10,694	Interest earning assets	9,365	9,329	9,362	9,437	
Total deposits	9,551	12,156	11,897	12,260	12,631	Total deposits	12,198	12,005	11,895	11,897	
Borrowings	-	-	-	-	-	Borrowings	-	-	-	-	
Total liabilities	10,029	12,536	12,197	12,479	12,733	Total liabilities	12,561	12,348	12,217	12,197	
Interest bearing liabilities	9,551	12,156	11,897	12,260	12,631	Interest bearing liabilities	12,198	12,005	11,895	11,897	
Shareholder equity	1,600	3,428	3,508	3,590	3,706	Shareholder equity	3,446	3,465	3,486	3,508	
Total Liabilities and Shareholder Equity	11,629	15,964	15,705	16,069	16,439	Total Liabilities and Shareholder Equity	16,007	15,813	15,703	15,705	
Book Value Per Share	8.57	18.36	18.79	19.22	19.84	Book Value Per Share	18.45	18.55	18.67	18.79	
Tangible Book Value Per Share	6.55	16.34	16.77	17.20	17.83	Tangible Book Value Per Share	16.43	16.54	16.65	16.77	
Ratio Analysis (%)						Ratio Analysis (%)					
	FY19A	FY20A	FY21E	FY22E	FY23E		FY19A	FY20A	FY21E	FY22E	FY23E
Net interest margin	4.0%	3.2%	2.8%	2.9%	3.1%	Net loans y/y growth	1.4%	8.3%	(3.0%)	6.8%	6.2%
Non interest income/Net Revenue	28.9%	29.2%	29.6%	29.6%	28.5%	Deposits y/y growth	1.6%	27.3%	(2.1%)	3.1%	3.0%
Efficiency ratio	69.9%	68.7%	66.2%	65.5%	63.9%	Net interest income y/y growth	5.3%	(2.4%)	2.4%	4.6%	9.5%
Tier 1 ratio	-	28.9%	30.2%	30.3%	30.7%	Adj. EPS y/y growth	4.0%	(19.4%)	21.8%	7.0%	25.9%
CAR	-	-	-	-	-	BVPS y/y growth	11.7%	114.2%	2.3%	2.3%	3.2%
Leverage Ratio	11.2%	22.0%	19.7%	20.2%	20.5%						
Adj. net profit/employee	-	-	-	-	-	Return on assets (ROA)	1.2%	0.8%	0.9%	0.9%	1.1%
Assets/employee	-	-	-	-	-	Return on equity (ROE)	9.0%	5.5%	3.9%	4.1%	5.0%
Assets/equity	7.4	6.8	4.6	4.5	4.5	Return on tangible equity (ROTE)	10.9%	6.8%	4.1%	4.2%	5.3%
Loans/deposits	94.0%	80.0%	79.3%	82.2%	84.7%	P/BV (x)	2.2	1.0	1.0	1.0	1.0
NPAs / gross loans, OREO	0.5%	0.4%	0.4%	0.4%	0.4%	P/TBV (x)	2.9	1.2	1.1	1.1	1.1
Net chargeoffs / average loans	0.1%	0.1%	0.3%	0.2%	0.1%	Adj. P/E (x)	25.8	32.0	26.3	24.6	19.5
Loan loss reserves / loans	0.9%	1.2%	1.2%	1.4%	1.3%	Dividend yield	0.0%	0.0%	1.3%	1.5%	1.5%
Loan loss reserves / NPLs	188.0%	261.3%	285.2%	380.5%	380.5%	Dividend payout	0.0%	0.0%	35.8%	39.1%	31.0%

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Dec

FB Financial: Summary of Financials

Income Statement - Annual						Income Statement - Quarterly					
	FY19A	FY20A	FY21E	FY22E	FY23E		1Q21E	2Q21E	3Q21E	4Q21E	
Interest income	228	268	350	368	394	Interest income	86	87	88	88	
Interest expense	-	-	-	-	-	Interest expense	-	-	-	-	
Net interest income	228	268	350	368	394	Net interest income	86	87	88	88	
Non interest income	135	303	225	143	136	Non interest income	79	60	47	39	
Net revenues	363	571	575	511	530	Net revenues	165	147	136	127	
Provisions	(7)	(108)	(25)	(27)	(28)	Provisions	(6)	(6)	(6)	(6)	
Non interest expense	(233)	(333)	(349)	(299)	(302)	Non interest expense	(100)	(91)	(82)	(76)	
Employee costs	(168)	(253)	(265)	(213)	(214)	Employee costs	(79)	(71)	(61)	(54)	
Adj. PBT	114	85	190	177	193	Adj. PBT	54	47	45	43	
Income taxes	(26)	(19)	(45)	(42)	(45)	Income taxes	(13)	(11)	(11)	(10)	
Minority interest	-	-	-	-	-	Minority interest	-	-	-	-	
Adj. Net profit	89	131	147	136	148	Adj. Net profit	43	36	35	33	
Reported EPS	2.67	1.67	3.09	2.96	3.25	Reported EPS	0.87	0.77	0.74	0.71	
Adj. EPS	2.84	3.44	3.13	2.97	3.25	Adj. EPS	0.91	0.77	0.74	0.71	
DPS	0.33	0.36	0.44	0.44	0.44	DPS	0.11	0.11	0.11	0.11	
Diluted shares outstanding	31	38	47	46	45	Diluted shares outstanding	47	47	47	46	
Balance Sheet						Balance Sheet					
	FY19A	FY20A	FY21E	FY22E	FY23E		1Q21E	2Q21E	3Q21E	4Q21E	
Cash and cash equivalents	-	-	-	-	-	Cash and cash equivalents	-	-	-	-	
Net loans	4,410	7,083	7,364	7,860	8,512	Net loans	7,156	7,130	7,246	7,364	
PP&E	-	-	-	-	-	PP&E	-	-	-	-	
Net intangibles	187	269	269	269	269	Net intangibles	269	269	269	269	
LT investments	-	-	-	-	-	LT investments	-	-	-	-	
Total assets	6,125	11,207	10,817	11,409	12,123	Total assets	11,205	10,935	10,775	10,817	
Interest earning assets	4,410	7,083	7,364	7,860	8,512	Interest earning assets	7,156	7,130	7,246	7,364	
Total deposits	4,935	9,458	9,203	9,834	10,549	Total deposits	9,471	9,256	9,131	9,203	
Borrowings	-	-	-	-	-	Borrowings	-	-	-	-	
Total liabilities	5,363	9,916	9,461	9,977	10,564	Total liabilities	9,892	9,607	9,432	9,461	
Interest bearing liabilities	4,935	9,458	9,203	9,834	10,549	Interest bearing liabilities	9,471	9,256	9,131	9,203	
Shareholder equity	762	1,291	1,356	1,432	1,559	Shareholder equity	1,313	1,329	1,343	1,356	
Total Liabilities and Shareholder Equity	6,125	11,207	10,817	11,409	12,123	Total Liabilities and Shareholder Equity	11,205	10,935	10,775	10,817	
Book Value Per Share	24.27	33.83	28.92	31.27	34.32	Book Value Per Share	27.68	28.23	28.75	29.25	
Tangible Book Value Per Share	18.33	26.78	23.17	25.39	28.40	Tangible Book Value Per Share	22.00	22.51	22.99	23.44	
Ratio Analysis (%)						Ratio Analysis (%)					
	FY19A	FY20A	FY21E	FY22E	FY23E		FY19A	FY20A	FY21E	FY22E	FY23E
Net interest margin	4.3%	3.5%	3.4%	3.5%	3.6%	Net loans y/y growth	20.2%	60.6%	4.0%	6.7%	8.3%
Non interest income/Net Revenue	37.3%	53.0%	39.2%	28.0%	25.6%	Deposits y/y growth	18.3%	91.7%	(2.7%)	6.9%	7.3%
Efficiency ratio	64.2%	58.3%	60.7%	58.5%	56.9%	Net interest income y/y growth	10.8%	17.8%	30.2%	5.2%	7.2%
Tier 1 ratio	11.6%	12.6%	13.8%	13.9%	14.5%	Adj. EPS y/y growth	8.4%	20.8%	(8.9%)	(5.3%)	9.5%
CAR	-	-	-	-	-	BVPS y/y growth	13.3%	39.4%	(14.5%)	8.1%	9.8%
Leverage Ratio	10.4%	12.9%	10.5%	11.0%	11.5%						
Adj. net profit/employee	-	-	-	-	-	Return on assets (ROA)	1.55%	1.55%	1.34%	1.22%	1.25%
Assets/employee	-	-	-	-	-	Return on equity (ROE)	12.4%	13.6%	11.1%	9.8%	9.9%
Assets/equity	8.0	8.7	8.3	8.0	7.9	Return on tangible equity (ROTE)	16.8%	16.9%	14.1%	12.3%	12.8%
Loans/deposits	89.4%	74.9%	80.0%	79.9%	80.7%	P/BV (x)	1.8	1.3	1.5	1.4	1.3
NPAs / gross loans, OREO	1.0%	1.0%	1.2%	0.9%	0.9%	P/TBV (x)	2.4	1.7	1.9	1.8	1.6
Net chargeoffs / average loans	0.1%	0.2%	0.4%	0.4%	0.4%	Adj. P/E (x)	15.6	12.9	14.2	15.0	13.7
Loan loss reserves / loans	0.6%	1.8%	2.2%	2.0%	1.8%	Dividend yield	0.7%	0.8%	1.0%	1.0%	1.0%
Loan loss reserves / NPLs	101.8%	203.8%	215.9%	258.8%	252.3%	Dividend payout	12.4%	21.6%	14.2%	14.8%	13.6%

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Dec

First Hawaiian: Summary of Financials

Income Statement - Annual						Income Statement - Quarterly					
	FY19A	FY20A	FY21E	FY22E	FY23E		1Q21E	2Q21E	3Q21E	4Q21E	
Interest income	573	536	525	550	591	Interest income	130	130	132	133	
Interest expense	-	-	-	-	-	Interest expense	-	-	-	-	
Net interest income	573	536	525	550	591	Net interest income	130	130	132	133	
Non interest income	200	202	209	217	224	Non interest income	51	52	53	53	
Net revenues	773	738	734	768	816	Net revenues	181	182	185	187	
Provisions	(14)	(122)	(44)	(46)	(30)	Provisions	(11)	(11)	(11)	(11)	
Non interest expense	(368)	(368)	(393)	(409)	(426)	Non interest expense	(95)	(97)	(99)	(101)	
Employee costs	-	-	-	-	-	Employee costs	-	-	-	-	
Adj. PBT	392	249	297	313	359	Adj. PBT	75	73	75	75	
Income taxes	(97)	(58)	(73)	(77)	(88)	Income taxes	(18)	(18)	(18)	(18)	
Minority interest	0	0	0	0	0	Minority interest	0	0	0	0	
Adj. Net profit	292	190	225	236	271	Adj. Net profit	56	55	56	56	
Reported EPS	2.13	1.43	1.76	1.88	2.20	Reported EPS	0.44	0.43	0.44	0.44	
Adj. EPS	2.19	1.46	1.74	1.87	2.19	Adj. EPS	0.43	0.43	0.44	0.44	
DPS	1.04	1.04	1.04	1.04	1.12	DPS	0.26	0.26	0.26	0.26	
Diluted shares outstanding	133	130	129	126	124	Diluted shares outstanding	130	129	128	128	
Balance Sheet						Balance Sheet					
	FY19A	FY20A	FY21E	FY22E	FY23E		1Q21E	2Q21E	3Q21E	4Q21E	
Cash and cash equivalents	360	303	303	303	303	Cash and cash equivalents	303	303	303	303	
Net loans	13,081	13,064	12,696	13,345	13,973	Net loans	12,757	12,447	12,573	12,703	
PP&E	-	-	-	-	-	PP&E	-	-	-	-	
Net intangibles	995	995	995	995	995	Net intangibles	995	995	995	995	
LT investments	-	-	-	-	-	LT investments	-	-	-	-	
Total assets	20,167	22,623	21,732	22,380	23,101	Total assets	21,995	21,793	21,762	21,732	
Interest earning assets	-	-	-	-	-	Interest earning assets	-	-	-	-	
Total deposits	16,445	19,228	18,937	19,580	20,258	Total deposits	18,800	18,798	18,867	18,937	
Borrowings	-	-	-	-	-	Borrowings	-	-	-	-	
Total liabilities	17,526	19,879	18,970	19,592	20,258	Total liabilities	19,242	19,039	19,004	18,970	
Interest bearing liabilities	-	-	-	-	-	Interest bearing liabilities	-	-	-	-	
Shareholder equity	2,640	2,744	2,762	2,788	2,842	Shareholder equity	2,752	2,755	2,758	2,762	
Total Liabilities and Shareholder Equity	20,167	22,623	21,732	22,380	23,101	Total Liabilities and Shareholder Equity	21,995	21,793	21,762	21,732	
Book Value Per Share	20.32	21.12	21.68	22.32	23.18	Book Value Per Share	21.27	21.40	21.54	21.68	
Tangible Book Value Per Share	12.66	13.46	13.86	14.35	15.06	Tangible Book Value Per Share	13.58	13.67	13.76	13.86	
Ratio Analysis (%)						Ratio Analysis (%)					
	FY19A	FY20A	FY21E	FY22E	FY23E		FY19A	FY20A	FY21E	FY22E	FY23E
Net interest margin	3.2%	2.8%	2.7%	2.8%	2.9%	Net loans y/y growth	1.1%	(0.1%)	(2.8%)	5.1%	4.7%
Non interest income/Net Revenue	25.8%	27.4%	28.4%	28.3%	27.5%	Deposits y/y growth	(4.1%)	16.9%	(1.5%)	3.4%	3.5%
Efficiency ratio	47.5%	49.8%	53.5%	53.3%	52.2%	Net interest income y/y growth	1.3%	(6.6%)	(2.0%)	4.8%	7.4%
Tier 1 ratio	12.6%	11.7%	12.7%	12.6%	12.5%	Adj. EPS y/y growth	6.9%	(33.5%)	19.8%	7.3%	17.1%
CAR	11.9%	12.5%	12.8%	12.6%	12.6%	BVPS y/y growth	8.6%	3.9%	2.6%	3.0%	3.8%
Leverage Ratio	33.0%	31.5%	31.2%	31.4%	31.2%						
						Return on assets (ROA)	1.44%	0.87%	1.02%	1.07%	1.19%
Adj. net profit/employee	-	-	-	-	-	Return on equity (ROE)	-	-	-	-	-
Assets/employee	-	-	-	-	-	Return on tangible equity (ROTE)	18.0%	11.1%	12.8%	13.3%	14.9%
Assets/equity	-	-	-	-	-						
Loans/deposits	79.5%	67.9%	67.0%	68.2%	69.0%	P/BV (x)	1.3	1.3	1.3	1.2	1.2
NPAs / gross loans, OREO	0.0%	0.1%	0.1%	0.1%	0.1%	P/TBV (x)	2.1	2.0	2.0	1.9	1.8
Net chargeoffs / average loans	0.2%	0.2%	0.3%	0.3%	0.2%	Adj. P/E (x)	12.4	18.6	15.6	14.5	12.4
Loan loss reserves / loans	1.0%	1.6%	1.7%	1.7%	1.6%	Dividend yield	3.8%	3.8%	3.8%	3.8%	4.1%
Loan loss reserves / NPLs	2387.2%	2372.1%	2600.5%	3039.7%	2379.1%	Dividend payout	48.8%	72.9%	59.2%	55.4%	50.9%

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data).Fiscal year ends Dec

First Horizon Corp: Summary of Financials

Income Statement - Annual						Income Statement - Quarterly					
	FY19A	FY20A	FY21E	FY22E	FY23E		1Q21E	2Q21E	3Q21E	4Q21E	
Interest income	1,219	1,673	2,069	2,181	2,340	Interest income	506	513	521	529	
Interest expense	-	-	-	-	-	Interest expense	-	-	-	-	
Net interest income	1,219	1,673	2,069	2,181	2,340	Net interest income	506	513	521	529	
Non interest income	643	949	997	900	885	Non interest income	253	250	247	246	
Net revenues	1,861	2,622	3,066	3,081	3,225	Net revenues	760	763	768	775	
Provisions	(45)	(356)	(158)	(167)	(173)	Provisions	(39)	(39)	(40)	(40)	
Non interest expense	(1,077)	(1,499)	(1,752)	(1,727)	(1,761)	Non interest expense	(442)	(439)	(437)	(435)	
Employee costs	-	-	-	-	-	Employee costs	-	-	-	-	
Adj. PBT	586	1,080	985	1,108	1,225	Adj. PBT	237	242	249	257	
Income taxes	(133)	(76)	(231)	(264)	(294)	Income taxes	(55)	(57)	(59)	(61)	
Minority interest	(11)	(12)	(12)	(12)	(12)	Minority interest	(3)	(3)	(3)	(3)	
Adj. Net profit	525	465	788	813	889	Adj. Net profit	190	194	199	205	
Reported EPS	1.38	2.23	1.29	1.51	1.75	Reported EPS	0.31	0.31	0.33	0.34	
Adj. EPS	1.66	1.07	1.43	1.53	1.75	Adj. EPS	0.34	0.35	0.36	0.38	
DPS	0.56	0.60	0.60	0.60	0.60	DPS	0.15	0.15	0.15	0.15	
Diluted shares outstanding	316	434	552	530	508	Diluted shares outstanding	557	557	551	545	
Balance Sheet						Balance Sheet					
	FY19A	FY20A	FY21E	FY22E	FY23E		1Q21E	2Q21E	3Q21E	4Q21E	
Cash and cash equivalents	482	5,443	3,252	3,252	3,252	Cash and cash equivalents	3,252	3,252	3,252	3,252	
Net loans	30,861	57,698	55,689	58,560	60,534	Net loans	56,032	55,837	55,689	55,689	
PP&E	-	-	-	-	-	PP&E	-	-	-	-	
Net intangibles	1,563	1,864	1,810	1,758	1,705	Net intangibles	1,851	1,837	1,824	1,810	
LT investments	-	-	-	-	-	LT investments	-	-	-	-	
Total assets	43,311	84,209	83,559	85,932	89,253	Total assets	83,795	83,690	83,612	83,559	
Interest earning assets	-	-	-	-	-	Interest earning assets	-	-	-	-	
Total deposits	32,430	69,983	69,333	71,706	75,027	Total deposits	69,569	69,464	69,386	69,333	
Borrowings	-	-	-	-	-	Borrowings	-	-	-	-	
Total liabilities	38,626	76,668	75,806	78,092	81,229	Total liabilities	76,158	75,954	75,870	75,806	
Interest bearing liabilities	-	-	-	-	-	Interest bearing liabilities	-	-	-	-	
Shareholder equity	4,685	7,541	7,753	7,840	8,024	Shareholder equity	7,636	7,736	7,741	7,753	
Total Liabilities and Shareholder Equity	43,311	84,209	83,559	85,932	89,253	Total Liabilities and Shareholder Equity	83,795	83,690	83,612	83,559	
Book Value Per Share	15.04	13.59	14.28	15.08	16.12	Book Value Per Share	13.76	13.94	14.10	14.28	
Tangible Book Value Per Share	10.02	10.23	10.95	11.70	12.70	Tangible Book Value Per Share	10.42	10.63	10.78	10.95	
Ratio Analysis (%)						Ratio Analysis (%)					
	FY19A	FY20A	FY21E	FY22E	FY23E		FY19A	FY20A	FY21E	FY22E	FY23E
Net interest margin	3.3%	2.9%	2.7%	2.8%	2.9%	Net loans y/y growth	12.8%	87.0%	(3.5%)	5.2%	3.4%
Non interest income/Net Revenue	34.5%	36.2%	32.5%	29.2%	27.4%	Deposits y/y growth	(0.8%)	115.8%	(0.9%)	3.4%	4.6%
Efficiency ratio	57.9%	57.2%	57.2%	56.1%	54.6%	Net interest income y/y growth	(0.8%)	37.3%	23.6%	5.4%	7.3%
Tier 1 ratio	10.2%	10.7%	11.2%	11.0%	10.9%	Adj. EPS y/y growth	23.8%	(35.6%)	33.2%	7.4%	14.2%
CAR	-	-	-	-	-	BVPS y/y growth	9.0%	(9.7%)	5.1%	5.6%	6.9%
Leverage Ratio	9.0%	10.5%	8.4%	8.4%	8.3%						
						Return on assets (ROA)	1.26%	0.72%	0.94%	0.96%	1.02%
Adj. net profit/employee	-	-	-	-	-	Return on equity (ROE)	11.6%	7.7%	10.3%	10.4%	11.2%
Assets/employee	-	-	-	-	-	Return on tangible equity (ROTE)	18.4%	11.2%	14.1%	14.2%	15.0%
Assets/equity	9.2	10.7	10.9	10.9	11.1						
Loans/deposits	95.2%	82.4%	80.3%	81.7%	80.7%	P/BV (x)	1.1	1.2	1.2	1.1	1.0
NPAs / gross loans, OREO	0.5%	0.7%	0.9%	0.6%	0.5%	P/TBV (x)	1.7	1.6	1.5	1.4	1.3
Net chargeoffs / average loans	0.1%	0.3%	0.4%	0.3%	0.3%	Adj. P/E (x)	10.0	15.6	11.7	10.9	9.5
Loan loss reserves / loans	0.6%	0.9%	1.6%	1.5%	1.4%	Dividend yield	3.4%	3.6%	3.6%	3.6%	3.6%
Loan loss reserves / NPLs	123.7%	138.3%	177.4%	227.8%	295.9%	Dividend payout	40.6%	26.9%	46.6%	39.7%	34.3%

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Dec

First Republic: Summary of Financials

Income Statement - Annual						Income Statement - Quarterly					
	FY19A	FY20A	FY21E	FY22E	FY23E		1Q21E	2Q21E	3Q21E	4Q21E	
Interest income	2,868	3,389	3,951	4,701	5,661	Interest income	924	954	1,005	1,068	
Interest expense	-	-	-	-	-	Interest expense	-	-	-	-	
Net interest income	2,868	3,389	3,951	4,701	5,661	Net interest income	924	954	1,005	1,068	
Non interest income	581	635	719	823	947	Non interest income	171	177	183	188	
Net revenues	3,449	4,024	4,670	5,524	6,608	Net revenues	1,095	1,130	1,189	1,256	
Provisions	(62)	(157)	(170)	(198)	(134)	Provisions	(28)	(27)	(44)	(70)	
Non interest expense	(2,146)	(2,426)	(2,851)	(3,349)	(3,968)	Non interest expense	(677)	(697)	(724)	(753)	
Employee costs	-	-	-	-	-	Employee costs	-	-	-	-	
Adj. PBT	1,133	1,334	1,511	1,813	2,308	Adj. PBT	357	374	385	395	
Income taxes	(203)	(270)	(310)	(372)	(473)	Income taxes	(73)	(77)	(79)	(81)	
Minority interest	0	0	0	0	0	Minority interest	0	0	0	0	
Adj. Net profit	884	986	1,104	1,344	1,737	Adj. Net profit	260	273	282	290	
Reported EPS	5.20	5.81	6.21	7.41	9.41	Reported EPS	1.47	1.53	1.58	1.62	
Adj. EPS	5.21	5.70	6.21	7.41	9.41	Adj. EPS	1.47	1.53	1.58	1.62	
DPS	0.75	0.79	0.83	0.87	0.95	DPS	0.20	0.21	0.21	0.21	
Diluted shares outstanding	170	173	178	181	185	Diluted shares outstanding	177	178	178	179	
Balance Sheet						Balance Sheet					
	FY19A	FY20A	FY21E	FY22E	FY23E		1Q21E	2Q21E	3Q21E	4Q21E	
Cash and cash equivalents	1,700	5,095	2,006	3,302	4,161	Cash and cash equivalents	4,299	5,101	6,145	2,006	
Net loans	90,301	111,931	128,661	149,483	173,766	Net loans	112,721	114,807	119,847	128,661	
PP&E	-	-	-	-	-	PP&E	-	-	-	-	
Net intangibles	235	228	271	271	271	Net intangibles	271	271	271	271	
LT investments	-	-	-	-	-	LT investments	-	-	-	-	
Total assets	116,264	142,502	159,743	182,836	209,736	Total assets	141,924	146,186	153,658	159,743	
Interest earning assets	-	-	-	-	-	Interest earning assets	-	-	-	-	
Total deposits	90,133	114,929	130,688	153,623	179,716	Total deposits	117,903	120,489	126,513	130,688	
Borrowings	-	-	-	-	-	Borrowings	-	-	-	-	
Total liabilities	107,558	132,296	148,247	169,849	194,881	Total liabilities	131,162	135,187	142,415	148,247	
Interest bearing liabilities	-	-	-	-	-	Interest bearing liabilities	-	-	-	-	
Shareholder equity	8,706	10,206	11,496	12,986	14,855	Shareholder equity	10,762	10,998	11,243	11,496	
Total Liabilities and Shareholder Equity	116,264	142,502	159,743	182,836	209,736	Total Liabilities and Shareholder Equity	141,924	146,186	153,658	159,743	
Book Value Per Share	51.63	58.95	65.65	73.47	83.35	Book Value Per Share	61.46	62.80	64.20	65.65	
Tangible Book Value Per Share	50.24	57.64	64.10	71.94	81.84	Tangible Book Value Per Share	59.91	61.26	62.66	64.10	
Ratio Analysis (%)						Ratio Analysis (%)					
	FY19A	FY20A	FY21E	FY22E	FY23E		FY19A	FY20A	FY21E	FY22E	FY23E
Net interest margin	2.9%	2.7%	2.7%	2.9%	3.0%	Net loans y/y growth	19.7%	24.0%	14.9%	16.2%	16.2%
Non interest income/Net Revenue	16.8%	15.8%	15.4%	14.9%	14.3%	Deposits y/y growth	14.0%	27.5%	13.7%	17.5%	17.0%
Efficiency ratio	62.2%	60.3%	61.1%	60.6%	60.0%	Net interest income y/y growth	10.3%	18.1%	16.6%	19.0%	20.4%
Tier 1 ratio	9.5%	10.7%	10.6%	10.4%	10.3%	Adj. EPS y/y growth	9.7%	9.3%	9.0%	19.4%	27.0%
CAR	-	-	-	-	-	BVPS y/y growth	10.0%	14.2%	11.4%	11.9%	13.5%
Leverage Ratio	7.7%	8.5%	8.3%	8.2%	8.1%						
						Return on assets (ROA)	0.84%	0.76%	0.75%	0.80%	0.90%
Adj. net profit/employee	-	-	-	-	-	Return on equity (ROE)	10.6%	10.4%	10.1%	10.9%	12.4%
Assets/employee	-	-	-	-	-	Return on tangible equity (ROTE)	10.9%	10.5%	10.2%	11.0%	12.4%
Assets/equity	12.7	13.6	13.5	13.7	13.8						
Loans/deposits	100.2%	97.4%	98.4%	97.3%	96.7%	P/BV (x)	3.2	2.8	2.5	2.3	2.0
NPAs / gross loans, OREO	0.2%	0.2%	0.2%	0.1%	0.1%	P/TBV (x)	3.3	2.9	2.6	2.3	2.0
Net chargeoffs / average loans	0.0%	0.0%	0.0%	0.0%	0.0%	Adj. P/E (x)	31.8	29.1	26.7	22.4	17.6
Loan loss reserves / loans	0.5%	0.6%	0.6%	0.6%	0.6%	Dividend yield	0.5%	0.5%	0.5%	0.5%	0.6%
Loan loss reserves / NPLs	346.5%	344.9%	335.6%	487.4%	552.2%	Dividend payout	14.4%	13.6%	13.4%	11.7%	10.1%

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Dec

Great Western Bancorp, Inc.: Summary of Financials

Income Statement - Annual						Income Statement - Quarterly					
	FY19A	FY20A	FY21E	FY22E	FY23E		1Q21A	2Q21E	3Q21E	4Q21E	
Interest income	427	426	419	430	461	Interest income	110A	102	103	105	
Interest expense	-	-	-	-	-	Interest expense	-	-	-	-	
Net interest income	427	426	419	430	461	Net interest income	110A	102	103	105	
Non interest income	63	63	72	74	78	Non interest income	18A	17	18	18	
Net revenues	489	489	491	505	539	Net revenues	128A	119	121	123	
Provisions	(41)	(118)	(36)	(33)	(31)	Provisions	(12)A	(8)	(8)	(8)	
Non interest expense	(223)	(255)	(247)	(257)	(264)	Non interest expense	(57)A	(64)	(63)	(63)	
Employee costs	-	-	-	-	-	Employee costs	-	-	-	-	
Adj. PBT	216	(706)	194	205	231	Adj. PBT	53A	45	48	49	
Income taxes	(48)	26	(44)	(47)	(53)	Income taxes	(11)A	(10)	(11)	(11)	
Minority interest	0	0	0	0	0	Minority interest	0A	0	0	0	
Adj. Net profit	167	33	150	158	178	Adj. Net profit	41A	34	37	38	
Reported EPS	2.92	(12.23)	2.72	2.85	3.23	Reported EPS	0.75A	0.62	0.67	0.68	
Adj. EPS	2.92	0.60	2.72	2.85	3.23	Adj. EPS	0.74A	0.62	0.67	0.68	
DPS	1.10	0.47	0.04	0.04	0.04	DPS	0.01A	0.01	0.01	0.01	
Diluted shares outstanding	57	56	55	55	55	Diluted shares outstanding	55A	55	55	55	
Balance Sheet						Balance Sheet					
	FY19A	FY20A	FY21E	FY22E	FY23E		1Q21A	2Q21E	3Q21E	4Q21E	
Cash and cash equivalents	299	0	0	0	0	Cash and cash equivalents	0A	0	0	0	
Net loans	9,601	9,651	9,125	9,272	9,750	Net loans	9,259A	9,153	9,073	8,992	
PP&E	-	-	-	-	-	PP&E	-	-	-	-	
Net intangibles	745	6	6	6	4	Net intangibles	6A	6	6	6	
LT investments	-	-	-	-	-	LT investments	-	-	-	-	
Total assets	12,788	12,604	12,598	13,130	13,696	Total assets	12,814A	12,725	12,662	12,598	
Interest earning assets	-	-	-	-	-	Interest earning assets	-	-	-	-	
Total deposits	10,300	11,009	11,068	11,413	11,853	Total deposits	11,373A	11,203	11,122	11,068	
Borrowings	-	-	-	-	-	Borrowings	-	-	-	-	
Total liabilities	10,888	11,442	11,422	11,798	12,188	Total liabilities	11,746A	11,623	11,523	11,422	
Interest bearing liabilities	-	-	-	-	-	Interest bearing liabilities	-	-	-	-	
Shareholder equity	1,900	1,163	1,176	1,331	1,507	Shareholder equity	1,069A	1,102	1,139	1,176	
Total Liabilities and Shareholder Equity	12,788	12,604	12,598	13,130	13,696	Total Liabilities and Shareholder Equity	12,814A	12,725	12,662	12,598	
Book Value Per Share	33.76	21.14	21.34	24.16	27.35	Book Value Per Share	19.39A	20.00	20.67	21.34	
Tangible Book Value Per Share	20.52	21.03	21.23	24.05	27.27	Tangible Book Value Per Share	19.28A	19.90	20.56	21.23	
Ratio Analysis (%)						Ratio Analysis (%)					
	FY19A	FY20A	FY21E	FY22E	FY23E		FY19A	FY20A	FY21E	FY22E	FY23E
Net interest margin	3.7%	3.6%	3.5%	3.5%	3.6%	Net loans y/y growth	5.2%	0.5%	(5.4%)	1.6%	5.2%
Non interest income/Net Revenue	12.9%	12.9%	14.6%	14.7%	14.4%	Deposits y/y growth	5.8%	6.9%	0.5%	3.1%	3.9%
Efficiency ratio	45.6%	52.2%	50.4%	50.9%	49.0%	Net interest income y/y growth	2.9%	(0.2%)	(1.6%)	2.7%	7.2%
Tier 1 ratio	11.6%	11.7%	11.8%	12.8%	13.9%	Adj. EPS y/y growth	1.3%	(79.6%)	355.8%	5.0%	13.1%
CAR	11.3%	0.0%	11.3%	10.6%	0.0%	BVPS y/y growth	8.1%	(37.4%)	0.9%	13.2%	13.2%
Leverage Ratio	9.7%	9.3%	9.5%	10.6%	11.5%						
Adj. net profit/employee	-	-	-	-	-	Return on assets (ROA)	1.32%	0.26%	1.19%	1.23%	1.33%
Assets/employee	-	-	-	-	-	Return on equity (ROE)	9.1%	2.2%	13.5%	12.6%	12.6%
Assets/equity	6.8	8.3	11.4	10.3	9.5	Return on tangible equity (ROTE)	15.0%	3.1%	13.3%	14.0%	15.8%
Loans/deposits	93.2%	87.7%	82.4%	81.2%	82.3%	P/BV (x)	0.9	1.4	1.4	1.2	1.1
NPAs / gross loans, OREO	1.5%	3.5%	3.0%	2.5%	2.0%	P/TBV (x)	1.4	1.4	1.4	1.2	1.1
Net chargeoffs / average loans	0.3%	0.4%	0.7%	0.4%	0.4%	Adj. P/E (x)	10.1	49.7	10.9	10.4	9.2
Loan loss reserves / loans	0.7%	1.5%	3.2%	3.0%	2.8%	Dividend yield	3.7%	1.6%	0.1%	0.1%	0.1%
Loan loss reserves / NPLs	66.0%	46.1%	109.5%	127.7%	152.9%	Dividend payout	37.6%	NM	1.5%	1.4%	1.2%

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Sep

HBT Financial, Inc.: Summary of Financials

Income Statement - Annual						Income Statement - Quarterly					
	FY19A	FY20A	FY21E	FY22E	FY23E		1Q21E	2Q21E	3Q21E	4Q21E	
Interest income	136	120	119	124	130	Interest income	29	29	30	31	
Interest expense	-	-	-	-	-	Interest expense	-	-	-	-	
Net interest income	136	120	119	124	130	Net interest income	29	29	30	31	
Non interest income	33	37	40	42	45	Non interest income	10	10	10	10	
Net revenues	169	156	159	166	175	Net revenues	39	39	40	41	
Provisions	(3)	(11)	(8)	(8)	(8)	Provisions	(2)	(2)	(2)	(2)	
Non interest expense	(86)	(89)	(89)	(91)	(94)	Non interest expense	(22)	(22)	(22)	(22)	
Employee costs	(55)	(57)	(56)	(58)	(61)	Employee costs	(14)	(14)	(14)	(14)	
Adj. PBT	80	50	59	64	70	Adj. PBT	14	14	15	16	
Income taxes	(5)	(13)	(16)	(17)	(18)	Income taxes	(4)	(4)	(4)	(4)	
Minority interest	-	-	-	-	-	Minority interest	-	-	-	-	
Adj. Net profit	72	40	44	47	51	Adj. Net profit	11	11	11	11	
Reported EPS	3.33	1.34	1.62	1.81	2.04	Reported EPS	0.39	0.39	0.41	0.43	
Adj. EPS	3.58	1.45	1.62	1.82	2.04	Adj. EPS	0.39	0.39	0.41	0.43	
DPS	2.57	0.60	0.60	0.60	0.60	DPS	0.15	0.15	0.15	0.15	
Diluted shares outstanding	20	27	27	26	25	Diluted shares outstanding	27	27	27	27	
Balance Sheet						Balance Sheet					
	FY19A	FY20A	FY21E	FY22E	FY23E		1Q21E	2Q21E	3Q21E	4Q21E	
Cash and cash equivalents	-	-	-	-	-	Cash and cash equivalents	-	-	-	-	
Net loans	2,164	2,247	2,177	2,250	2,310	Net loans	2,193	2,140	2,151	2,177	
PP&E	-	-	-	-	-	PP&E	-	-	-	-	
Net intangibles	28	26	26	26	26	Net intangibles	26	26	26	26	
LT investments	-	-	-	-	-	LT investments	-	-	-	-	
Total assets	3,245	3,667	3,572	3,601	3,670	Total assets	3,592	3,557	3,564	3,572	
Interest earning assets	2,164	2,247	2,177	2,250	2,310	Interest earning assets	2,193	2,140	2,151	2,177	
Total deposits	2,777	3,131	3,051	3,095	3,179	Total deposits	3,060	3,028	3,039	3,051	
Borrowings	-	-	-	-	-	Borrowings	-	-	-	-	
Total liabilities	2,912	3,303	3,195	3,208	3,256	Total liabilities	3,226	3,187	3,191	3,195	
Interest bearing liabilities	2,777	3,131	3,051	3,095	3,179	Interest bearing liabilities	3,060	3,028	3,039	3,051	
Shareholder equity	333	364	376	393	414	Shareholder equity	367	369	373	376	
Total Liabilities and Shareholder Equity	3,245	3,667	3,572	3,601	3,670	Total Liabilities and Shareholder Equity	3,592	3,557	3,564	3,572	
Book Value Per Share	16.57	13.25	14.00	15.10	16.42	Book Value Per Share	13.47	13.68	13.92	14.17	
Tangible Book Value Per Share	15.19	12.29	13.01	14.08	15.37	Tangible Book Value Per Share	12.50	12.70	12.93	13.18	
Ratio Analysis (%)						Ratio Analysis (%)					
	FY19A	FY20A	FY21E	FY22E	FY23E		FY19A	FY20A	FY21E	FY22E	FY23E
Net interest margin	4.4%	3.6%	3.4%	3.5%	3.7%	Net loans y/y growth	0.9%	3.8%	(3.1%)	3.4%	2.7%
Non interest income/Net Revenue	19.6%	23.6%	25.0%	25.2%	25.9%	Deposits y/y growth	(0.7%)	12.7%	(2.6%)	1.4%	2.7%
Efficiency ratio	50.7%	57.0%	56.0%	54.9%	53.9%	Net interest income y/y growth	3.0%	(12.2%)	(0.5%)	4.5%	4.2%
Tier 1 ratio	13.6%	14.5%	15.5%	16.0%	16.6%	Adj. EPS y/y growth	(1.3%)	(59.6%)	11.8%	12.2%	12.4%
CAR	-	-	-	-	-	BVPS y/y growth	(12.1%)	(20.0%)	5.6%	7.9%	8.7%
Leverage Ratio	10.4%	10.3%	10.3%	10.8%	11.2%						
						Return on assets (ROA)	2.2%	1.2%	1.2%	1.3%	1.4%
Adj. net profit/employee	-	-	-	-	-	Return on equity (ROE)	21.1%	11.3%	11.8%	12.3%	12.8%
Assets/employee	-	-	-	-	-	Return on tangible equity (ROTE)	23.7%	12.5%	12.8%	13.3%	14.2%
Assets/equity	9.5	9.8	9.7	9.3	9.0						
Loans/deposits	77.9%	71.8%	71.3%	72.7%	72.7%	P/BV (x)	1.0	1.3	1.2	1.1	1.0
NPAs / gross loans, OREO	1.1%	0.6%	0.5%	0.4%	0.3%	P/TBV (x)	1.1	1.4	1.3	1.2	1.1
Net chargeoffs / average loans	0.1%	0.0%	0.3%	0.3%	0.3%	Adj. P/E (x)	4.7	11.6	10.4	9.3	8.3
Loan loss reserves / loans	1.0%	1.4%	1.5%	1.4%	1.4%	Dividend yield	15.3%	3.6%	3.6%	3.6%	3.6%
Loan loss reserves / NPLs	117.1%	319.7%	392.5%	492.0%	616.5%	Dividend payout	77.3%	44.7%	37.1%	33.1%	29.4%

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Dec

Huntington Bancshares: Summary of Financials

Income Statement - Annual						Income Statement - Quarterly					
	FY19A	FY20A	FY21E	FY22E	FY23E		1Q21E	2Q21E	3Q21E	4Q21E	
Interest income	3,239	3,245	3,344	3,351	3,640	Interest income	838	835	839	832	
Interest expense	-	-	-	-	-	Interest expense	-	-	-	-	
Net interest income	3,239	3,245	3,344	3,351	3,640	Net interest income	838	835	839	832	
Non interest income	1,440	1,586	1,578	1,595	1,667	Non interest income	409	394	389	386	
Net revenues	4,679	4,831	4,922	4,946	5,307	Net revenues	1,247	1,228	1,229	1,218	
Provisions	(287)	(1,048)	(272)	(286)	(301)	Provisions	(66)	(67)	(69)	(70)	
Non interest expense	(2,659)	(2,711)	(2,888)	(2,889)	(2,981)	Non interest expense	(719)	(730)	(723)	(716)	
Employee costs	-	-	-	-	-	Employee costs	-	-	-	-	
Adj. PBT	1,659	967	1,702	1,712	1,962	Adj. PBT	447	416	422	417	
Income taxes	(248)	(155)	(272)	(274)	(314)	Income taxes	(71)	(67)	(68)	(67)	
Minority interest	0	0	0	0	0	Minority interest	0	0	0	0	
Adj. Net profit	1,336	748	1,399	1,474	1,753	Adj. Net profit	344	319	370	365	
Reported EPS	1.27	0.69	1.27	1.32	1.53	Reported EPS	0.33	0.31	0.32	0.31	
Adj. EPS	1.27	0.72	1.36	1.48	1.76	Adj. EPS	0.33	0.31	0.36	0.36	
DPS	0.58	0.60	0.60	0.60	0.60	DPS	0.15	0.15	0.15	0.15	
Diluted shares outstanding	1,056	1,033	1,029	997	996	Diluted shares outstanding	1,036	1,036	1,027	1,018	
Balance Sheet						Balance Sheet					
	FY19A	FY20A	FY21E	FY22E	FY23E		1Q21E	2Q21E	3Q21E	4Q21E	
Cash and cash equivalents	1,170	6,595	5,195	4,995	4,995	Cash and cash equivalents	6,195	5,195	5,195	5,195	
Net loans	74,529	79,794	80,742	82,920	88,185	Net loans	80,361	78,109	79,624	80,742	
PP&E	-	-	-	-	-	PP&E	-	-	-	-	
Net intangibles	2,222	2,181	2,141	2,101	2,060	Net intangibles	2,171	2,161	2,151	2,141	
LT investments	-	-	-	-	-	LT investments	-	-	-	-	
Total assets	109,002	123,038	120,486	121,095	124,732	Total assets	125,785	121,553	121,285	120,486	
Interest earning assets	-	-	-	-	-	Interest earning assets	-	-	-	-	
Total deposits	82,347	98,948	99,936	102,125	105,462	Total deposits	101,595	100,363	100,245	99,936	
Borrowings	-	-	-	-	-	Borrowings	-	-	-	-	
Total liabilities	98,410	112,237	109,286	109,767	112,166	Total liabilities	114,793	110,394	110,103	109,286	
Interest bearing liabilities	-	-	-	-	-	Interest bearing liabilities	-	-	-	-	
Shareholder equity	10,592	10,801	11,201	11,328	12,566	Shareholder equity	10,993	11,159	11,182	11,201	
Total Liabilities and Shareholder Equity	109,002	123,038	120,486	121,095	124,732	Total Liabilities and Shareholder Equity	125,785	121,553	121,285	120,486	
Book Value Per Share	10.38	10.62	11.21	11.73	12.81	Book Value Per Share	10.81	10.97	11.09	11.21	
Tangible Book Value Per Share	8.21	8.48	9.07	9.56	10.71	Tangible Book Value Per Share	8.67	8.85	8.96	9.07	
Ratio Analysis (%)						Ratio Analysis (%)					
	FY19A	FY20A	FY21E	FY22E	FY23E		FY19A	FY20A	FY21E	FY22E	FY23E
Net interest margin	3.3%	3.0%	3.0%	3.1%	3.2%	Net loans y/y growth	0.7%	7.1%	1.2%	2.7%	6.3%
Non interest income/Net Revenue	30.8%	32.8%	32.1%	32.2%	31.4%	Deposits y/y growth	(2.9%)	20.2%	1.0%	2.2%	3.3%
Efficiency ratio	56.8%	56.1%	58.7%	58.4%	56.2%	Net interest income y/y growth	0.6%	0.2%	3.1%	0.2%	8.6%
Tier 1 ratio	11.2%	8.6%	9.2%	9.3%	10.2%	Adj. EPS y/y growth	2.6%	(42.7%)	87.5%	8.8%	19.0%
CAR	13.0%	14.5%	12.7%	12.8%	13.6%	BVPS y/y growth	9.8%	2.3%	5.6%	4.7%	9.2%
Leverage Ratio	9.1%	7.2%	7.2%	7.5%	8.4%						
Adj. net profit/employee	-	-	-	-	-	Return on assets (ROA)	1.24%	0.64%	1.14%	1.23%	1.43%
Assets/employee	-	-	-	-	-	Return on equity (ROE)	12.9%	7.0%	12.6%	13.1%	14.7%
Assets/equity	10.4	11.0	11.1	10.7	10.2	Return on tangible equity (ROTE)	16.9%	9.3%	17.1%	18.3%	15.8%
Loans/deposits	90.5%	80.6%	80.8%	81.2%	83.6%	P/BV (x)	1.5	1.5	1.4	1.3	1.2
NPAs / gross loans, OREO	1.7%	1.6%	1.4%	1.3%	1.5%	P/TBV (x)	1.9	1.8	1.7	1.6	1.5
Net chargeoffs / average loans	0.4%	0.6%	0.5%	0.4%	0.3%	Adj. P/E (x)	12.3	21.5	11.5	10.6	8.9
Loan loss reserves / loans	1.2%	2.2%	2.1%	2.0%	1.9%	Dividend yield	3.7%	3.8%	3.8%	3.8%	3.8%
Loan loss reserves / NPLs	186.9%	341.0%	370.2%	395.7%	326.3%	Dividend payout	45.8%	87.0%	47.3%	45.5%	39.2%

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Dec

KeyCorp: Summary of Financials

Income Statement - Annual						Income Statement - Quarterly					
	FY19A	FY20A	FY21E	FY22E	FY23E		1Q21E	2Q21E	3Q21E	4Q21E	
Interest income	3,941	4,063	4,156	4,204	4,405	Interest income	1,024	1,044	1,043	1,045	
Interest expense	-	-	-	-	-	Interest expense	-	-	-	-	
Net interest income	3,941	4,063	4,156	4,204	4,405	Net interest income	1,024	1,044	1,043	1,045	
Non interest income	2,459	2,652	2,736	2,765	2,854	Non interest income	682	683	685	685	
Net revenues	6,400	6,715	6,892	6,970	7,259	Net revenues	1,706	1,727	1,729	1,730	
Provisions	(306)	(1,021)	(337)	(352)	(368)	Provisions	(83)	(84)	(84)	(85)	
Non interest expense	(3,712)	(4,021)	(3,986)	(4,009)	(4,081)	Non interest expense	(1,005)	(988)	(982)	(1,011)	
Employee costs	-	-	-	-	-	Employee costs	-	-	-	-	
Adj. PBT	2,261	1,579	2,484	2,531	2,737	Adj. PBT	597	634	641	613	
Income taxes	(314)	(227)	(466)	(475)	(514)	Income taxes	(112)	(119)	(120)	(115)	
Minority interest	0	0	0	0	0	Minority interest	0	0	0	0	
Adj. Net profit	1,809	1,250	1,909	1,947	2,114	Adj. Net profit	457	488	493	470	
Reported EPS	1.62	1.27	2.00	2.14	2.42	Reported EPS	0.47	0.51	0.52	0.50	
Adj. EPS	1.80	1.28	2.02	2.16	2.45	Adj. EPS	0.47	0.51	0.53	0.51	
DPS	0.71	0.74	0.74	0.82	0.84	DPS	0.19	0.19	0.19	0.19	
Diluted shares outstanding	1,002	975	943	900	864	Diluted shares outstanding	964	952	933	923	
Balance Sheet						Balance Sheet					
	FY19A	FY20A	FY21E	FY22E	FY23E		1Q21E	2Q21E	3Q21E	4Q21E	
Cash and cash equivalents	1,272	16,194	2,694	2,694	2,694	Cash and cash equivalents	12,694	9,194	5,694	2,694	
Net loans	93,746	99,559	100,094	103,355	106,782	Net loans	98,266	100,075	99,050	100,094	
PP&E	-	-	-	-	-	PP&E	-	-	-	-	
Net intangibles	2,917	2,852	2,799	2,753	2,714	Net intangibles	2,839	2,825	2,812	2,799	
LT investments	-	-	-	-	-	LT investments	-	-	-	-	
Total assets	144,988	170,336	164,457	165,307	167,843	Total assets	167,804	167,408	164,196	164,457	
Interest earning assets	-	-	-	-	-	Interest earning assets	-	-	-	-	
Total deposits	111,870	135,282	129,503	131,153	134,489	Total deposits	132,000	131,854	129,042	129,503	
Borrowings	-	-	-	-	-	Borrowings	-	-	-	-	
Total liabilities	129,806	154,211	148,246	148,707	150,679	Total liabilities	151,656	151,204	148,078	148,246	
Interest bearing liabilities	-	-	-	-	-	Interest bearing liabilities	-	-	-	-	
Shareholder equity	15,182	16,125	16,212	16,601	17,164	Shareholder equity	16,148	16,204	16,118	16,212	
Total Liabilities and Shareholder Equity	144,988	170,336	164,457	165,307	167,843	Total Liabilities and Shareholder Equity	167,804	167,408	164,196	164,457	
Book Value Per Share	15.54	16.53	17.57	18.75	20.20	Book Value Per Share	16.76	17.03	17.29	17.57	
Tangible Book Value Per Share	12.55	13.60	14.54	15.64	17.00	Tangible Book Value Per Share	13.81	14.06	14.27	14.54	
Ratio Analysis (%)						Ratio Analysis (%)					
	FY19A	FY20A	FY21E	FY22E	FY23E		FY19A	FY20A	FY21E	FY22E	FY23E
Net interest margin	3.0%	2.7%	2.7%	2.8%	2.9%	Net loans y/y growth	5.7%	6.2%	0.5%	3.3%	3.3%
Non interest income/Net Revenue	38.4%	39.5%	39.7%	39.7%	39.3%	Deposits y/y growth	4.3%	20.9%	(4.3%)	1.3%	2.5%
Efficiency ratio	58.0%	59.9%	57.8%	57.5%	56.2%	Net interest income y/y growth	0.0%	3.1%	2.3%	1.2%	4.8%
Tier 1 ratio	10.9%	9.9%	10.3%	10.5%	10.7%	Adj. EPS y/y growth	3.5%	(29.0%)	57.9%	6.9%	13.1%
CAR	-	-	-	-	-	BVPS y/y growth	12.0%	6.4%	6.3%	6.7%	7.7%
Leverage Ratio	9.9%	9.3%	9.1%	9.5%	9.7%						
Adj. net profit/employee	-	-	-	-	-	Return on assets (ROA)	1.25%	0.77%	1.15%	1.18%	1.27%
Assets/employee	-	-	-	-	-	Return on equity (ROE)	12.2%	8.0%	11.8%	11.9%	12.5%
Assets/equity	9.7	10.4	10.3	10.1	9.9	Return on tangible equity (ROTE)	15.7%	10.2%	14.6%	14.6%	15.2%
Loans/deposits	83.8%	73.6%	77.3%	78.8%	79.4%	P/BV (x)	1.3	1.2	1.1	1.0	1.0
NPAs / gross loans, OREO	0.9%	1.1%	0.9%	0.8%	0.8%	P/TBV (x)	1.6	1.4	1.3	1.2	1.1
Net chargeoffs / average loans	0.3%	0.4%	0.5%	0.4%	0.4%	Adj. P/E (x)	10.8	15.2	9.6	9.0	8.0
Loan loss reserves / loans	1.0%	1.6%	1.4%	1.3%	1.2%	Dividend yield	3.6%	3.8%	3.8%	4.2%	4.3%
Loan loss reserves / NPLs	156.0%	207.1%	209.9%	235.4%	228.5%	Dividend payout	43.9%	58.3%	37.0%	38.2%	34.7%

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Dec

Metropolitan Bank Holding Corp.: Summary of Financials

Income Statement - Annual						Income Statement - Quarterly					
	FY19A	FY20A	FY21E	FY22E	FY23E		1Q21E	2Q21E	3Q21E	4Q21E	
Interest income	98	125	145	165	192	Interest income	34	36	37	38	
Interest expense	-	-	-	-	-	Interest expense	-	-	-	-	
Net interest income	98	125	145	165	192	Net interest income	34	36	37	38	
Non interest income	11	14	15	17	19	Non interest income	4	4	4	4	
Net revenues	108	139	160	182	212	Net revenues	37	39	41	42	
Provisions	(4)	(9)	(12)	(14)	(15)	Provisions	(3)	(3)	(3)	(3)	
Non interest expense	(60)	(74)	(77)	(85)	(94)	Non interest expense	(19)	(19)	(19)	(20)	
Employee costs	-	-	-	-	-	Employee costs	-	-	-	-	
Adj. PBT	44	55	71	83	102	Adj. PBT	15	17	19	19	
Income taxes	(14)	(18)	(22)	(26)	(32)	Income taxes	(5)	(5)	(6)	(6)	
Minority interest	0	0	0	0	0	Minority interest	0	0	0	0	
Adj. Net profit	30	37	48	57	70	Adj. Net profit	11	12	13	13	
Reported EPS	3.56	4.70	5.76	6.77	8.28	Reported EPS	1.26	1.41	1.51	1.58	
Adj. EPS	3.55	4.41	5.76	6.77	8.29	Adj. EPS	1.26	1.41	1.51	1.58	
DPS	0.00	0.00	0.00	0.00	0.00	DPS	0.00	0.00	0.00	0.00	
Diluted shares outstanding	8	8	8	8	8	Diluted shares outstanding	8	8	8	8	
Balance Sheet						Balance Sheet					
	FY19A	FY20A	FY21E	FY22E	FY23E		1Q21E	2Q21E	3Q21E	4Q21E	
Cash and cash equivalents	391	856	756	756	756	Cash and cash equivalents	831	806	781	756	
Net loans	2,647	3,102	3,581	4,082	4,665	Net loans	3,219	3,335	3,455	3,581	
PP&E	-	-	-	-	-	PP&E	-	-	-	-	
Net intangibles	10	10	10	10	10	Net intangibles	10	10	10	10	
LT investments	-	-	-	-	-	LT investments	-	-	-	-	
Total assets	3,357	4,331	4,848	5,395	6,021	Total assets	4,486	4,603	4,723	4,848	
Interest earning assets	-	-	-	-	-	Interest earning assets	-	-	-	-	
Total deposits	2,791	3,819	4,336	4,882	5,508	Total deposits	3,974	4,090	4,211	4,336	
Borrowings	-	-	-	-	-	Borrowings	-	-	-	-	
Total liabilities	3,058	3,990	4,459	4,948	5,508	Total liabilities	4,135	4,239	4,347	4,459	
Interest bearing liabilities	-	-	-	-	-	Interest bearing liabilities	-	-	-	-	
Shareholder equity	299	341	389	446	516	Shareholder equity	351	363	376	389	
Total Liabilities and Shareholder Equity	3,357	4,331	4,848	5,395	6,025	Total Liabilities and Shareholder Equity	4,486	4,603	4,723	4,848	
Book Value Per Share	35.32	40.42	46.26	53.14	61.55	Book Value Per Share	41.70	43.12	44.66	46.26	
Tangible Book Value Per Share	34.15	39.25	45.09	51.97	60.38	Tangible Book Value Per Share	40.52	41.95	43.49	45.09	
Ratio Analysis (%)						Ratio Analysis (%)					
	FY19A	FY20A	FY21E	FY22E	FY23E		FY19A	FY20A	FY21E	FY22E	FY23E
Net interest margin	3.5%	3.3%	3.2%	3.3%	3.4%	Net loans y/y growth	43.4%	17.2%	15.4%	14.0%	14.3%
Non interest income/Net Revenue	9.7%	9.9%	9.3%	9.2%	9.2%	Deposits y/y growth	68.1%	36.8%	13.5%	12.6%	12.8%
Efficiency ratio	55.6%	53.6%	48.4%	46.8%	44.6%	Net interest income y/y growth	37.6%	27.6%	16.2%	14.0%	16.3%
Tier 1 ratio	10.2%	8.7%	8.5%	8.4%	8.4%	Adj. EPS y/y growth	15.9%	24.2%	30.7%	17.6%	22.4%
CAR	9.4%	8.0%	7.9%	0.0%	0.0%	BVPS y/y growth	12.1%	14.4%	14.5%	14.9%	15.8%
Leverage Ratio	10.5%	8.4%	7.7%	7.7%	7.7%						
						Return on assets (ROA)	1.04%	0.96%	1.05%	1.11%	1.22%
Adj. net profit/employee	-	-	-	-	-	Return on equity (ROE)	10.5%	11.5%	13.3%	13.7%	14.5%
Assets/employee	-	-	-	-	-	Return on tangible equity (ROTE)	11.1%	12.2%	13.9%	14.2%	15.0%
Assets/equity	10.1	12.0	12.6	12.3	11.9						
Loans/deposits	94.8%	81.2%	82.6%	83.6%	84.7%	P/BV (x)	1.4	1.2	1.1	0.9	0.8
NPAs / gross loans, OREO	0.2%	0.2%	0.2%	0.1%	0.1%	P/TBV (x)	1.5	1.3	1.1	1.0	0.8
Net chargeoffs / average loans	(0.1%)	0.0%	0.3%	0.2%	0.2%	Adj. P/E (x)	14.1	11.4	8.7	7.4	6.1
Loan loss reserves / loans	(1.0%)	(1.1%)	(1.0%)	(1.0%)	(1.1%)	Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%
Loan loss reserves / NPLs	(643.1%)	(630.0%)	(663.3%)	(941.7%)	(1087.1%)	Dividend payout	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data).Fiscal year ends Dec

New York Community Bank: Summary of Financials

Income Statement - Annual						Income Statement - Quarterly					
	FY19A	FY20A	FY21E	FY22E	FY23E		1Q21E	2Q21E	3Q21E	4Q21E	
Interest income	957	1,100	1,303	1,423	1,523	Interest income	306	321	333	343	
Interest expense	-	-	-	-	-	Interest expense	-	-	-	-	
Net interest income	957	1,100	1,303	1,423	1,523	Net interest income	306	321	333	343	
Non interest income	69	60	63	66	67	Non interest income	15	15	16	16	
Net revenues	1,026	1,160	1,366	1,488	1,590	Net revenues	321	336	350	359	
Provisions	(7)	(62)	(65)	(68)	(70)	Provisions	(16)	(16)	(16)	(17)	
Non interest expense	(501)	(511)	(533)	(553)	(576)	Non interest expense	(134)	(133)	(133)	(133)	
Employee costs	-	-	-	-	-	Employee costs	-	-	-	-	
Adj. PBT	523	588	768	868	944	Adj. PBT	171	187	200	209	
Income taxes	(128)	(77)	(192)	(217)	(236)	Income taxes	(43)	(47)	(50)	(52)	
Minority interest	0	0	0	0	0	Minority interest	0	0	0	0	
Adj. Net profit	358	409	543	618	675	Adj. Net profit	120	132	142	149	
Reported EPS	0.78	1.03	1.17	1.35	1.50	Reported EPS	0.26	0.29	0.31	0.32	
Adj. EPS	0.77	0.88	1.17	1.35	1.50	Adj. EPS	0.26	0.29	0.31	0.32	
DPS	0.68	0.68	0.68	0.68	0.68	DPS	0.17	0.17	0.17	0.17	
Diluted shares outstanding	466	463	463	458	450	Diluted shares outstanding	463	463	463	463	
Balance Sheet						Balance Sheet					
	FY19A	FY20A	FY21E	FY22E	FY23E		1Q21E	2Q21E	3Q21E	4Q21E	
Cash and cash equivalents	742	1,948	1,348	1,148	148	Cash and cash equivalents	1,548	1,448	1,348	1,348	
Net loans	41,752	42,826	44,481	46,158	47,972	Net loans	43,035	43,429	43,869	44,481	
PP&E	-	-	-	-	-	PP&E	-	-	-	-	
Net intangibles	2,426	2,426	2,426	2,426	2,426	Net intangibles	2,426	2,426	2,426	2,426	
LT investments	-	-	-	-	-	LT investments	-	-	-	-	
Total assets	53,641	56,306	58,175	60,006	62,599	Total assets	56,958	57,433	57,701	58,175	
Interest earning assets	-	-	-	-	-	Interest earning assets	-	-	-	-	
Total deposits	31,657	32,437	33,523	35,154	36,747	Total deposits	32,806	33,181	33,349	33,523	
Borrowings	-	-	-	-	-	Borrowings	-	-	-	-	
Total liabilities	47,432	49,464	51,106	52,631	54,856	Total liabilities	50,075	50,497	50,702	51,106	
Interest bearing liabilities	-	-	-	-	-	Interest bearing liabilities	-	-	-	-	
Shareholder equity	6,209	6,842	7,069	7,375	7,743	Shareholder equity	6,883	6,936	6,999	7,069	
Total Liabilities and Shareholder Equity	53,641	56,306	58,175	60,006	62,599	Total Liabilities and Shareholder Equity	56,958	57,433	57,701	58,175	
Book Value Per Share	13.29	14.75	15.24	16.17	17.25	Book Value Per Share	14.84	14.95	15.09	15.24	
Tangible Book Value Per Share	8.09	9.52	10.01	10.85	11.85	Tangible Book Value Per Share	9.61	9.72	9.86	10.01	
Ratio Analysis (%)						Ratio Analysis (%)					
	FY19A	FY20A	FY21E	FY22E	FY23E		FY19A	FY20A	FY21E	FY22E	FY23E
Net interest margin	2.0%	2.2%	2.5%	2.7%	2.8%	Net loans y/y growth	4.3%	2.6%	3.9%	3.8%	3.9%
Non interest income/Net Revenue	6.7%	5.2%	4.6%	4.4%	4.2%	Deposits y/y growth	2.9%	2.5%	3.3%	4.9%	4.5%
Efficiency ratio	48.8%	44.1%	39.0%	37.1%	36.2%	Net interest income y/y growth	(7.1%)	14.9%	18.5%	9.2%	7.0%
Tier 1 ratio	11.2%	11.0%	11.2%	11.6%	11.9%	Adj. EPS y/y growth	(4.1%)	14.7%	32.9%	15.1%	11.0%
CAR	9.9%	9.8%	10.0%	10.4%	-	BVPS y/y growth	2.3%	11.0%	3.3%	6.1%	6.7%
Leverage Ratio	8.3%	8.2%	8.2%	8.5%	8.8%						
Adj. net profit/employee	-	-	-	-	-	Return on assets (ROA)	0.69%	0.76%	0.95%	1.05%	1.10%
Assets/employee	-	-	-	-	-	Return on equity (ROE)	5.8%	6.3%	7.8%	8.6%	8.9%
Assets/equity	8.4	8.3	8.3	8.2	8.1	Return on tangible equity (ROTE)	9.6%	9.5%	11.9%	12.8%	-
Loans/deposits	131.9%	132.0%	132.7%	131.3%	130.5%	P/BV (x)	0.9	0.8	0.8	0.8	0.7
NPA's / gross loans, OREO	0.2%	0.1%	0.1%	0.1%	-	P/TBV (x)	1.5	1.3	1.2	1.1	1.0
Net chargeoffs / average loans	0.0%	0.0%	0.2%	0.2%	-	Adj. P/E (x)	16.0	14.0	10.5	9.1	8.2
Loan loss reserves / loans	0.3%	0.4%	0.4%	0.4%	-	Dividend yield	5.5%	5.5%	5.5%	5.5%	5.5%
Loan loss reserves / NPLs	231.8%	463.4%	516.0%	788.4%	-	Dividend payout	87.4%	65.9%	57.9%	50.3%	45.4%

Source: Company reports and J.P. Morgan estimates. Note: EPS estimates include the impact of prepayment penalty income.

Note: \$ in millions (except per-share data). Fiscal year ends Dec

Pinnacle Financial Partners: Summary of Financials

Income Statement - Annual						Income Statement - Quarterly					
	FY19A	FY20A	FY21E	FY22E	FY23E		1Q21E	2Q21E	3Q21E	4Q21E	
Interest income	795	851	938	1,006	1,106	Interest income	224	232	238	243	
Interest expense	-	-	-	-	-	Interest expense	-	-	-	-	
Net interest income	795	851	938	1,006	1,106	Net interest income	224	232	238	243	
Non interest income	268	317	330	349	370	Non interest income	79	83	85	83	
Net revenues	1,063	1,168	1,267	1,355	1,476	Net revenues	303	315	323	326	
Provisions	(27)	(192)	(76)	(86)	(93)	Provisions	(18)	(19)	(19)	(20)	
Non interest expense	(488)	(538)	(588)	(644)	(682)	Non interest expense	(143)	(145)	(148)	(152)	
Employee costs	-	-	-	-	-	Employee costs	-	-	-	-	
Adj. PBT	498	371	534	555	628	Adj. PBT	125	134	138	136	
Income taxes	(97)	(59)	(107)	(111)	(126)	Income taxes	(25)	(27)	(28)	(27)	
Minority interest	-	-	-	-	-	Minority interest	-	-	-	-	
Adj. Net profit	412	326	433	450	508	Adj. Net profit	102	109	112	111	
Reported EPS	5.22	4.03	5.49	5.84	6.75	Reported EPS	1.28	1.38	1.43	1.42	
Adj. EPS	5.37	4.30	5.77	6.12	7.04	Adj. EPS	1.34	1.45	1.50	1.48	
DPS	0.64	0.64	0.72	0.72	0.72	DPS	0.18	0.18	0.18	0.18	
Diluted shares outstanding	77	76	75	74	72	Diluted shares outstanding	76	75	75	74	
Balance Sheet						Balance Sheet					
	FY19A	FY20A	FY21E	FY22E	FY23E		1Q21E	2Q21E	3Q21E	4Q21E	
Cash and cash equivalents	-	-	-	-	-	Cash and cash equivalents	-	-	-	-	
Net loans	19,788	22,425	24,361	26,596	29,087	Net loans	21,850	22,605	23,460	24,361	
PP&E	-	-	-	-	-	PP&E	-	-	-	-	
Net intangibles	1,871	1,862	1,862	1,862	1,862	Net intangibles	1,862	1,862	1,862	1,862	
LT investments	-	-	-	-	-	LT investments	-	-	-	-	
Total assets	27,805	34,933	33,617	35,182	37,004	Total assets	34,232	33,964	33,786	33,617	
Interest earning assets	-	-	-	-	-	Interest earning assets	-	-	-	-	
Total deposits	20,181	27,706	26,483	28,173	30,119	Total deposits	27,004	26,768	26,621	26,483	
Borrowings	-	-	-	-	-	Borrowings	-	-	-	-	
Total liabilities	23,450	30,245	28,665	29,979	31,490	Total liabilities	29,461	29,135	28,895	28,665	
Interest bearing liabilities	-	-	-	-	-	Interest bearing liabilities	-	-	-	-	
Shareholder equity	4,356	4,687	4,952	5,203	5,514	Shareholder equity	4,770	4,829	4,891	4,952	
Total Liabilities and Shareholder Equity	27,805	34,933	33,617	35,182	37,004	Total Liabilities and Shareholder Equity	34,232	33,964	33,786	33,617	
Book Value Per Share	56.89	61.80	66.29	71.03	76.65	Book Value Per Share	62.89	64.00	65.15	66.29	
Tangible Book Value Per Share	32.45	37.25	41.36	45.61	50.77	Tangible Book Value Per Share	38.34	39.32	40.35	41.36	
Ratio Analysis (%)						Ratio Analysis (%)					
	FY19A	FY20A	FY21E	FY22E	FY23E		FY19A	FY20A	FY21E	FY22E	FY23E
Net interest margin	3.5%	3.0%	3.1%	3.3%	3.4%	Net loans y/y growth	11.7%	13.3%	8.6%	9.2%	9.4%
Non interest income/Net Revenue	25.2%	27.1%	26.0%	25.7%	25.1%	Deposits y/y growth	7.1%	37.3%	(4.4%)	6.4%	6.9%
Efficiency ratio	45.9%	46.1%	46.4%	47.5%	46.2%	Net interest income y/y growth	5.7%	7.1%	10.1%	7.3%	9.9%
Tier 1 ratio	-	-	-	-	-	Adj. EPS y/y growth	13.2%	(19.8%)	34.1%	6.0%	15.0%
CAR	-	-	-	-	-	BVPS y/y growth	11.1%	8.6%	7.3%	7.1%	7.9%
Leverage Ratio	-	-	-	-	-						
Adj. net profit/employee	-	-	-	-	-	Return on assets (ROA)	1.6%	1.0%	1.3%	1.3%	1.4%
Assets/employee	-	-	-	-	-	Return on equity (ROE)	9.8%	7.0%	9.0%	8.9%	9.5%
Assets/equity	6.3	7.0	7.1	6.8	6.7	Return on tangible equity (ROTE)	17.8%	12.5%	14.7%	14.1%	14.6%
Loans/deposits	98.1%	80.9%	92.0%	94.4%	96.6%	P/BV (x)	1.5	1.4	1.3	1.2	1.1
NPAs / gross loans, OREO	-	-	-	-	-	P/TBV (x)	2.7	2.4	2.1	1.9	1.7
Net chargeoffs / average loans	-	-	-	-	-	Adj. P/E (x)	16.4	20.4	15.3	14.4	12.5
Loan loss reserves / loans	-	-	-	-	-	Dividend yield	0.7%	0.7%	0.8%	0.8%	0.8%
Loan loss reserves / NPLs	-	-	-	-	-	Dividend payout	12.3%	15.9%	13.1%	12.3%	10.7%

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Dec

Signature Bank: Summary of Financials

Income Statement - Annual						Income Statement - Quarterly					
	FY19A	FY20A	FY21E	FY22E	FY23E		1Q21E	2Q21E	3Q21E	4Q21E	
Interest income	1,312	1,519	1,761	2,082	2,433	Interest income	407	429	451	473	
Interest expense	-	-	-	-	-	Interest expense	-	-	-	-	
Net interest income	1,312	1,519	1,761	2,082	2,433	Net interest income	407	429	451	473	
Non interest income	44	75	76	83	89	Non interest income	18	19	19	20	
Net revenues	1,356	1,594	1,837	2,165	2,522	Net revenues	425	448	471	493	
Provisions	(23)	(248)	(123)	(140)	(158)	Provisions	(29)	(30)	(31)	(32)	
Non interest expense	(529)	(607)	(688)	(773)	(868)	Non interest expense	(165)	(172)	(174)	(176)	
Employee costs	-	-	-	-	-	Employee costs	-	-	-	-	
Adj. PBT	804	732	1,025	1,251	1,496	Adj. PBT	230	245	265	285	
Income taxes	(216)	(204)	(287)	(350)	(419)	Income taxes	(64)	(69)	(74)	(80)	
Minority interest	0	0	0	0	0	Minority interest	0	0	0	0	
Adj. Net profit	587	532	702	864	1,040	Adj. Net profit	157	167	182	196	
Reported EPS	10.90	10.00	12.43	15.31	18.42	Reported EPS	2.78	2.96	3.22	3.47	
Adj. EPS	10.89	10.07	12.43	15.31	18.42	Adj. EPS	2.78	2.96	3.22	3.47	
DPS	2.24	2.24	2.24	2.24	2.24	DPS	0.56	0.56	0.56	0.56	
Diluted shares outstanding	54	53	56	56	56	Diluted shares outstanding	56	56	56	56	
Balance Sheet						Balance Sheet					
	FY19A	FY20A	FY21E	FY22E	FY23E		1Q21E	2Q21E	3Q21E	4Q21E	
Cash and cash equivalents	790	12,348	8,781	4,781	781	Cash and cash equivalents	14,031	12,281	10,531	8,781	
Net loans	38,860	48,319	53,845	60,804	68,346	Net loans	49,912	51,077	52,288	53,845	
PP&E	-	-	-	-	-	PP&E	-	-	-	-	
Net intangibles	46	32	32	32	32	Net intangibles	32	32	32	32	
LT investments	-	-	-	-	-	LT investments	-	-	-	-	
Total assets	50,592	76,388	84,557	95,208	106,518	Total assets	77,220	79,219	81,728	84,557	
Interest earning assets	-	-	-	-	-	Interest earning assets	-	-	-	-	
Total deposits	40,383	63,315	70,417	77,068	84,378	Total deposits	68,329	68,579	69,338	70,417	
Borrowings	-	-	-	-	-	Borrowings	-	-	-	-	
Total liabilities	45,847	71,269	78,864	88,779	99,176	Total liabilities	71,976	73,840	76,199	78,864	
Interest bearing liabilities	-	-	-	-	-	Interest bearing liabilities	-	-	-	-	
Shareholder equity	4,745	5,119	5,693	6,430	7,342	Shareholder equity	5,244	5,379	5,529	5,693	
Total Liabilities and Shareholder Equity	50,592	76,388	84,557	95,208	106,518	Total Liabilities and Shareholder Equity	77,220	79,219	81,728	84,557	
Book Value Per Share	88.66	95.56	99.76	112.67	128.66	Book Value Per Share	91.89	94.26	96.89	99.76	
Tangible Book Value Per Share	87.80	94.96	99.20	112.11	128.10	Tangible Book Value Per Share	91.32	93.70	96.32	99.20	
Ratio Analysis (%)						Ratio Analysis (%)					
	FY19A	FY20A	FY21E	FY22E	FY23E		FY19A	FY20A	FY21E	FY22E	FY23E
Net interest margin	2.7%	2.5%	2.3%	2.5%	2.7%	Net loans y/y growth	7.4%	24.3%	11.4%	12.9%	12.4%
Non interest income/Net Revenue	3.3%	4.7%	4.1%	3.8%	3.5%	Deposits y/y growth	11.0%	56.8%	11.2%	9.4%	9.5%
Efficiency ratio	39.0%	38.1%	37.5%	35.7%	34.4%	Net interest income y/y growth	1.0%	15.8%	15.9%	18.3%	16.8%
Tier 1 ratio	11.6%	8.6%	8.4%	8.4%	8.5%	Adj. EPS y/y growth	17.8%	(7.5%)	23.4%	23.2%	20.3%
CAR	-	-	-	-	-	BVPS y/y growth	10.7%	7.8%	4.4%	12.9%	14.2%
Leverage Ratio	9.8%	8.6%	7.3%	7.3%	7.4%						
Adj. net profit/employee	-	-	-	-	-	Return on assets (ROA)	1.19%	0.88%	0.88%	0.96%	1.03%
Assets/employee	-	-	-	-	-	Return on equity (ROE)	12.7%	10.8%	13.0%	14.3%	15.2%
Assets/equity	10.6	12.3	14.7	14.9	14.7	Return on tangible equity (ROTE)	12.7%	10.9%	12.9%	14.2%	15.0%
Loans/deposits	96.2%	76.3%	76.5%	78.9%	81.0%	P/BV (x)	2.4	2.2	2.2	1.9	1.7
NPA's / gross loans, OREO	0.3%	0.4%	0.5%	0.3%	0.3%	P/TBV (x)	2.4	2.3	2.2	1.9	1.7
Net chargeoffs / average loans	0.0%	0.1%	0.3%	0.3%	0.3%	Adj. P/E (x)	19.7	21.3	17.3	14.0	11.7
Loan loss reserves / loans	0.6%	1.1%	0.9%	0.8%	0.7%	Dividend yield	1.0%	1.0%	1.0%	1.0%	1.0%
Loan loss reserves / NPLs	436.1%	427.4%	270.5%	392.0%	389.5%	Dividend payout	20.5%	22.4%	18.0%	14.6%	12.2%

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Dec

SVB Financial Group: Summary of Financials

Income Statement - Annual						Income Statement - Quarterly					
	FY19A	FY20A	FY21E	FY22E	FY23E		1Q21E	2Q21E	3Q21E	4Q21E	
Interest income	2,109	2,173	2,743	3,220	3,766	Interest income	647	665	701	729	
Interest expense	-	-	-	-	-	Interest expense	-	-	-	-	
Net interest income	2,109	2,173	2,743	3,220	3,766	Net interest income	647	665	701	729	
Non interest income	1,173	1,754	1,376	1,128	1,208	Non interest income	576	262	266	271	
Net revenues	3,281	3,926	4,118	4,348	4,973	Net revenues	1,224	928	967	1,000	
Provisions	(106)	(220)	(169)	(194)	(215)	Provisions	(39)	(41)	(43)	(45)	
Non interest expense	(1,588)	(1,986)	(2,154)	(2,195)	(2,329)	Non interest expense	(584)	(515)	(524)	(531)	
Employee costs	-	-	-	-	-	Employee costs	-	-	-	-	
Adj. PBT	1,562	1,656	1,706	1,799	2,398	Adj. PBT	595	365	361	384	
Income taxes	(426)	(448)	(461)	(486)	(647)	Income taxes	(161)	(99)	(98)	(104)	
Minority interest	0	0	0	0	0	Minority interest	0	0	0	0	
Adj. Net profit	1,146	1,225	1,253	1,362	1,702	Adj. Net profit	430	255	276	293	
Reported EPS	21.73	22.87	22.11	23.22	31.24	Reported EPS	7.89	4.67	4.62	4.93	
Adj. EPS	21.91	23.52	23.00	25.00	31.24	Adj. EPS	7.89	4.67	5.06	5.37	
DPS	0.00	0.00	0.00	0.00	0.00	DPS	0.00	0.00	0.00	0.00	
Diluted shares outstanding	52	52	54	54	54	Diluted shares outstanding	54	54	54	54	
Balance Sheet						Balance Sheet					
	FY19A	FY20A	FY21E	FY22E	FY23E		1Q21E	2Q21E	3Q21E	4Q21E	
Cash and cash equivalents	6,782	17,675	13,675	9,675	5,675	Cash and cash equivalents	16,675	15,675	14,675	13,675	
Net loans	32,860	44,734	55,790	61,707	67,990	Net loans	49,190	51,390	53,590	55,790	
PP&E	-	-	-	-	-	PP&E	-	-	-	-	
Net intangibles	187	204	204	204	204	Net intangibles	204	204	204	204	
LT investments	-	-	-	-	-	LT investments	-	-	-	-	
Total assets	71,005	115,511	143,172	158,161	174,656	Total assets	133,038	136,316	139,693	143,172	
Interest earning assets	-	-	-	-	-	Interest earning assets	-	-	-	-	
Total deposits	61,074	100,574	128,234	143,223	160,093	Total deposits	118,100	121,379	124,756	128,234	
Borrowings	-	-	-	-	-	Borrowings	-	-	-	-	
Total liabilities	64,875	107,631	133,088	146,812	161,606	Total liabilities	123,728	126,752	129,878	133,088	
Interest bearing liabilities	-	-	-	-	-	Interest bearing liabilities	-	-	-	-	
Shareholder equity	6,130	7,880	10,084	11,348	13,050	Shareholder equity	9,309	9,564	9,815	10,084	
Total Liabilities and Shareholder Equity	71,005	115,511	143,172	158,161	174,656	Total Liabilities and Shareholder Equity	133,038	136,316	139,693	143,172	
Book Value Per Share	118.67	151.86	187.12	210.59	242.17	Book Value Per Share	172.75	177.48	182.14	187.12	
Tangible Book Value Per Share	115.05	147.92	183.34	206.80	238.38	Tangible Book Value Per Share	168.97	173.69	178.36	183.34	
Ratio Analysis (%)						Ratio Analysis (%)					
	FY19A	FY20A	FY21E	FY22E	FY23E		FY19A	FY20A	FY21E	FY22E	FY23E
Net interest margin	3.5%	2.7%	2.3%	2.4%	2.5%	Net loans y/y growth	17.1%	36.1%	24.7%	10.6%	10.2%
Non interest income/Net Revenue	35.7%	44.7%	33.4%	25.9%	24.3%	Deposits y/y growth	23.8%	64.7%	27.5%	11.7%	11.8%
Efficiency ratio	48.4%	50.6%	52.3%	50.5%	46.8%	Net interest income y/y growth	10.8%	3.0%	26.2%	17.4%	16.9%
Tier 1 ratio	13.4%	11.9%	12.4%	12.6%	13.2%	Adj. EPS y/y growth	20.2%	7.3%	(2.2%)	8.7%	25.0%
CAR	-	-	-	-	-	BVPS y/y growth	22.0%	28.0%	23.2%	12.5%	15.0%
Leverage Ratio	9.9%	9.0%	7.4%	7.4%	7.7%						
Adj. net profit/employee	-	-	-	-	-	Return on assets (ROA)	1.81%	1.43%	0.93%	0.90%	1.02%
Assets/employee	-	-	-	-	-	Return on equity (ROE)	20.2%	17.3%	13.3%	12.7%	14.0%
Assets/equity	11.1	12.1	14.3	14.1	13.7	Return on tangible equity (ROTE)	20.7%	17.3%	13.2%	12.8%	14.0%
Loans/deposits	53.8%	44.5%	43.5%	43.1%	42.5%	P/BV (x)	4.0	3.1	2.5	2.2	1.9
NPAs / gross loans, OREO	0.3%	0.2%	0.2%	0.2%	0.1%	P/TBV (x)	4.1	3.2	2.6	2.3	2.0
Net chargeoffs / average loans	0.2%	0.2%	0.5%	0.2%	0.2%	Adj. P/E (x)	21.4	20.0	20.4	18.8	15.0
Loan loss reserves / loans	0.9%	1.0%	0.7%	0.8%	0.8%	Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%
Loan loss reserves / NPLs	287.2%	429.5%	297.5%	461.8%	706.2%	Dividend payout	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Dec

Synovus Financial Corp.: Summary of Financials

Income Statement - Annual	FY19A	FY20A	FY21E	FY22E	FY23E	Income Statement - Quarterly	1Q21E	2Q21E	3Q21E	4Q21E	
Interest income	1,599	1,516	1,519	1,623	1,767	Interest income	377	370	384	388	
Interest expense	-	-	-	-	-	Interest expense	-	-	-	-	
Net interest income	1,599	1,516	1,519	1,623	1,767	Net interest income	377	370	384	388	
Non interest income	352	423	405	407	425	Non interest income	110	99	99	98	
Net revenues	1,951	1,939	1,924	2,030	2,192	Net revenues	487	469	482	486	
Provisions	(88)	(355)	(128)	(137)	(145)	Provisions	(32)	(32)	(32)	(33)	
Non interest expense	(1,011)	(1,081)	(1,054)	(1,086)	(1,134)	Non interest expense	(268)	(267)	(262)	(257)	
Employee costs	-	-	-	-	-	Employee costs	-	-	-	-	
Adj. PBT	765	485	728	794	898	Adj. PBT	184	166	185	193	
Income taxes	(201)	(111)	(175)	(190)	(216)	Income taxes	(44)	(40)	(44)	(46)	
Minority interest	0	0	0	0	0	Minority interest	0	0	0	0	
Adj. Net profit	607	357	520	570	650	Adj. Net profit	131	118	132	138	
Reported EPS	3.47	2.30	3.54	4.00	4.70	Reported EPS	0.88	0.80	0.90	0.95	
Adj. EPS	3.89	2.41	3.54	4.00	4.70	Adj. EPS	0.88	0.80	0.90	0.95	
DPS	1.20	1.32	1.32	1.32	1.32	DPS	0.33	0.33	0.33	0.33	
Diluted shares outstanding	156	148	147	142	138	Diluted shares outstanding	149	148	146	145	
Balance Sheet	FY19A	FY20A	FY21E	FY22E	FY23E	Balance Sheet	1Q21E	2Q21E	3Q21E	4Q21E	
Cash and cash equivalents	1,110	4,139	3,839	3,839	3,839	Cash and cash equivalents	3,839	3,839	3,839	3,839	
Net loans	36,882	37,660	37,295	39,959	42,827	Net loans	36,856	36,111	36,656	37,295	
PP&E	-	-	-	-	-	PP&E	-	-	-	-	
Net intangibles	553	498	498	498	498	Net intangibles	498	498	498	498	
LT investments	-	-	-	-	-	LT investments	-	-	-	-	
Total assets	48,203	54,366	54,476	55,780	57,791	Total assets	53,744	53,496	53,982	54,476	
Interest earning assets	-	-	-	-	-	Interest earning assets	-	-	-	-	
Total deposits	38,406	46,692	46,890	48,394	50,606	Total deposits	46,009	45,811	46,347	46,890	
Borrowings	-	-	-	-	-	Borrowings	-	-	-	-	
Total liabilities	43,799	49,742	49,675	50,796	52,539	Total liabilities	49,038	48,770	49,222	49,675	
Interest bearing liabilities	-	-	-	-	-	Interest bearing liabilities	-	-	-	-	
Shareholder equity	4,405	4,624	4,801	4,984	5,252	Shareholder equity	4,707	4,726	4,760	4,801	
Total Liabilities and Shareholder Equity	48,203	54,366	54,476	55,780	57,791	Total Liabilities and Shareholder Equity	53,744	53,496	53,982	54,476	
Book Value Per Share	29.93	31.24	33.21	35.55	38.56	Book Value Per Share	31.79	32.18	32.68	33.21	
Tangible Book Value Per Share	26.17	27.88	29.77	32.00	34.91	Tangible Book Value Per Share	28.43	28.80	29.26	29.77	
Ratio Analysis (%)	FY19A	FY20A	FY21E	FY22E	FY23E	Ratio Analysis (%)	FY19A	FY20A	FY21E	FY22E	FY23E
Net interest margin	3.7%	3.2%	3.1%	3.2%	3.3%	Net loans y/y growth	43.5%	2.1%	(1.0%)	7.1%	7.2%
Non interest income/Net Revenue	18.0%	21.8%	21.1%	20.1%	19.4%	Deposits y/y growth	43.7%	21.6%	0.4%	3.2%	4.6%
Efficiency ratio	51.8%	55.7%	54.8%	53.5%	51.7%	Net interest income y/y growth	39.2%	(5.2%)	0.2%	6.9%	8.9%
Tier 1 ratio	10.2%	10.9%	11.3%	11.5%	11.7%	Adj. EPS y/y growth	6.8%	(38.1%)	47.1%	13.1%	17.4%
CAR	-	-	-	-	-	BVPS y/y growth	18.0%	4.4%	6.3%	7.0%	8.5%
Leverage Ratio	9.1%	8.8%	8.8%	9.0%	9.2%						
						Return on assets (ROA)	1.30%	0.68%	0.96%	1.04%	1.15%
Adj. net profit/employee	-	-	-	-	-	Return on equity (ROE)	14.3%	7.9%	11.0%	11.7%	12.7%
Assets/employee	-	-	-	-	-	Return on tangible equity (ROTE)	16.5%	9.1%	12.5%	13.2%	14.3%
Assets/equity	11.0	11.5	11.4	11.2	11.1						
Loans/deposits	96.0%	80.7%	79.5%	82.6%	84.6%	P/BV (x)	1.5	1.5	1.4	1.3	1.2
NPAs / gross loans, OREO	0.4%	0.5%	0.4%	0.3%	0.2%	P/TBV (x)	1.7	1.6	1.5	1.4	1.3
Net chargeoffs / average loans	0.2%	0.2%	0.4%	0.3%	0.3%	Adj. P/E (x)	11.7	18.8	12.8	11.3	9.6
Loan loss reserves / loans	0.8%	1.5%	1.5%	1.4%	1.3%	Dividend yield	2.6%	2.9%	2.9%	2.9%	2.9%
Loan loss reserves / NPLs	276.1%	392.3%	474.3%	582.3%	714.9%	Dividend payout	34.6%	57.4%	37.3%	33.0%	28.1%

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Dec

Texas Capital Bancshares, Inc.: Summary of Financials

Income Statement - Annual					Income Statement - Quarterly				
	FY20A	FY21E	FY22E	FY23E		1Q21E	2Q21E	3Q21E	4Q21E
Interest income	869	860	872	946	Interest income	214	215	217	214
Interest expense	-	-	-	-	Interest expense	-	-	-	-
Net interest income	869	860	872	946	Net interest income	214	215	217	214
Non interest income	180	134	110	103	Non interest income	37	34	32	30
Net revenues	1,049	994	982	1,049	Net revenues	251	249	250	244
Provisions	(258)	(52)	(55)	(58)	Provisions	(13)	(13)	(13)	(13)
Non interest expense	(608)	(599)	(617)	(649)	Non interest expense	(148)	(149)	(150)	(151)
Employee costs	-	-	-	-	Employee costs	-	-	-	-
Adj. PBT	92	343	310	342	Adj. PBT	90	87	86	80
Income taxes	(26)	(76)	(68)	(75)	Income taxes	(20)	(19)	(19)	(18)
Minority interest	0	0	0	0	Minority interest	0	0	0	0
Adj. Net profit	130	245	215	239	Adj. Net profit	68	61	60	56
Reported EPS	1.12	4.83	4.22	4.71	Reported EPS	1.33	1.20	1.19	1.10
Adj. EPS	2.57	4.83	4.22	4.71	Adj. EPS	1.33	1.20	1.19	1.10
DPS	0.00	0.00	0.00	0.00	DPS	0.00	0.00	0.00	0.00
Diluted shares outstanding	51	51	51	51	Diluted shares outstanding	51	51	51	51
Balance Sheet					Balance Sheet				
Cash and cash equivalents	9,206	9,206	9,206	9,206	Cash and cash equivalents	9,206	9,206	9,206	9,206
Net loans	24,459	23,622	24,385	24,878	Net loans	23,572	23,470	23,806	23,622
PP&E	-	-	-	-	PP&E	-	-	-	-
Net intangibles	18	18	18	18	Net intangibles	18	18	18	18
LT investments	-	-	-	-	LT investments	-	-	-	-
Total assets	37,726	36,637	36,743	37,308	Total assets	36,939	36,716	36,499	36,637
Interest earning assets	-	-	-	-	Interest earning assets	-	-	-	-
Total deposits	30,997	29,908	30,014	30,578	Total deposits	30,210	29,987	29,770	29,908
Borrowings	-	-	-	-	Borrowings	-	-	-	-
Total liabilities	35,005	33,671	33,562	33,888	Total liabilities	34,150	33,866	33,589	33,671
Interest bearing liabilities	-	-	-	-	Interest bearing liabilities	-	-	-	-
Shareholder equity	2,721	2,966	3,181	3,420	Shareholder equity	2,789	2,850	2,910	2,966
Total Liabilities and Shareholder Equity	37,726	36,637	36,743	37,308	Total Liabilities and Shareholder Equity	36,939	36,716	36,499	36,637
Book Value Per Share	53.92	58.77	63.02	67.77	Book Value Per Share	55.26	56.47	57.67	58.77
Tangible Book Value Per Share	53.57	58.42	62.67	67.42	Tangible Book Value Per Share	54.91	56.12	57.32	58.42
Ratio Analysis (%)					Ratio Analysis (%)				
Net interest margin	2.4%	2.2%	2.3%	2.5%	Net loans y/y growth	(9.5%)	(3.4%)	3.2%	2.0%
Non interest income/Net Revenue	17.2%	13.5%	11.2%	9.8%	Deposits y/y growth	17.1%	(3.5%)	0.4%	1.9%
Efficiency ratio	57.9%	60.2%	62.8%	61.9%	Net interest income y/y growth	(11.3%)	(1.0%)	1.4%	8.5%
Tier 1 ratio	10.0%	11.2%	12.0%	12.7%	Adj. EPS y/y growth	(56.9%)	87.9%	(12.5%)	11.6%
CAR	-	-	-	-	BVPS y/y growth	1.2%	9.0%	7.2%	7.5%
Leverage Ratio	31.0%	33.9%	36.7%	38.7%					
Adj. net profit/employee	-	-	-	-	Return on assets (ROA)	0.35%	0.67%	0.59%	0.65%
Assets/employee	-	-	-	-	Return on equity (ROE)	4.6%	8.6%	7.0%	7.3%
Assets/equity	13.2	12.9	11.9	11.2	Return on tangible equity (ROTE)	4.9%	8.6%	7.0%	7.2%
Loans/deposits	78.9%	79.0%	81.2%	81.4%	P/BV (x)	1.3	1.2	1.1	1.0
NPAs / gross loans, OREO	0.5%	0.4%	0.3%	0.3%	P/TBV (x)	1.3	1.2	1.1	1.0
Net chargeoffs / average loans	1.2%	0.6%	0.3%	0.3%	Adj. P/E (x)	26.9	14.3	16.3	14.6
Loan loss reserves / loans	1.0%	0.9%	0.8%	0.8%	Dividend yield	0.0%	0.0%	0.0%	0.0%
Loan loss reserves / NPLs	208.7%	218.9%	244.6%	287.6%	Dividend payout	0.0%	0.0%	0.0%	0.0%

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Dec

Umpqua Holdings Corporation: Summary of Financials

Income Statement - Annual						Income Statement - Quarterly					
	FY19A	FY20A	FY21E	FY22E	FY23E		1Q21E	2Q21E	3Q21E	4Q21E	
Interest income	921	883	904	935	1,007	Interest income	227	224	226	227	
Interest expense	-	-	-	-	-	Interest expense	-	-	-	-	
Net interest income	921	883	904	935	1,007	Net interest income	227	224	226	227	
Non interest income	315	474	392	306	300	Non interest income	122	95	90	85	
Net revenues	1,235	1,356	1,297	1,241	1,307	Net revenues	349	319	316	312	
Provisions	(73)	(205)	(73)	(76)	(68)	Provisions	(18)	(18)	(18)	(19)	
Non interest expense	(705)	(746)	(707)	(706)	(741)	Non interest expense	(181)	(176)	(176)	(175)	
Employee costs	-	-	-	-	-	Employee costs	-	-	-	-	
Adj. PBT	469	(1,456)	511	453	481	Adj. PBT	149	123	121	117	
Income taxes	(115)	(67)	(128)	(113)	(114)	Income taxes	(37)	(31)	(30)	(29)	
Minority interest	0	0	0	0	0	Minority interest	0	0	0	0	
Adj. Net profit	342	354	383	340	375	Adj. Net profit	112	92	91	88	
Reported EPS	1.60	(6.92)	1.74	1.54	1.66	Reported EPS	0.51	0.42	0.41	0.40	
Adj. EPS	1.55	1.61	1.74	1.54	1.70	Adj. EPS	0.51	0.42	0.41	0.40	
DPS	0.84	0.84	0.84	0.84	0.84	DPS	0.21	0.21	0.21	0.21	
Diluted shares outstanding	221	220	221	221	221	Diluted shares outstanding	221	221	221	221	
Balance Sheet						Balance Sheet					
	FY19A	FY20A	FY21E	FY22E	FY23E		1Q21E	2Q21E	3Q21E	4Q21E	
Cash and cash equivalents	1,363	2,573	2,573	2,573	2,573	Cash and cash equivalents	2,573	2,573	2,573	2,573	
Net loans	21,038	21,454	21,375	22,221	23,187	Net loans	21,533	21,101	21,236	21,375	
PP&E	-	-	-	-	-	PP&E	-	-	-	-	
Net intangibles	1,788	3	0	0	0	Net intangibles	0	0	0	0	
LT investments	-	-	-	-	-	LT investments	-	-	-	-	
Total assets	28,847	29,235	28,499	29,697	30,982	Total assets	29,206	28,206	28,351	28,499	
Interest earning assets	-	-	-	-	-	Interest earning assets	-	-	-	-	
Total deposits	22,482	24,622	24,842	26,125	27,410	Total deposits	24,726	24,376	24,607	24,842	
Borrowings	-	-	-	-	-	Borrowings	-	-	-	-	
Total liabilities	24,533	26,531	25,597	26,639	27,742	Total liabilities	26,436	25,390	25,490	25,597	
Interest bearing liabilities	-	-	-	-	-	Interest bearing liabilities	-	-	-	-	
Shareholder equity	4,314	2,705	2,903	3,058	3,240	Shareholder equity	2,770	2,816	2,861	2,903	
Total Liabilities and Shareholder Equity	28,847	29,235	28,499	29,697	30,982	Total Liabilities and Shareholder Equity	29,206	28,206	28,351	28,499	
Book Value Per Share	19.59	12.28	13.18	13.88	14.71	Book Value Per Share	12.58	12.79	12.99	13.18	
Tangible Book Value Per Share	11.47	12.27	13.18	13.88	14.71	Tangible Book Value Per Share	12.58	12.79	12.99	13.18	
Ratio Analysis (%)						Ratio Analysis (%)					
	FY19A	FY20A	FY21E	FY22E	FY23E		FY19A	FY20A	FY21E	FY22E	FY23E
Net interest margin	3.7%	3.2%	3.2%	3.3%	3.4%	Net loans y/y growth	3.7%	2.0%	(0.4%)	4.0%	4.3%
Non interest income/Net Revenue	25.5%	34.9%	30.2%	24.7%	22.9%	Deposits y/y growth	6.4%	9.5%	0.9%	5.2%	4.9%
Efficiency ratio	57.1%	55.0%	54.6%	56.9%	56.7%	Net interest income y/y growth	(1.9%)	(4.1%)	2.5%	3.4%	7.7%
Tier 1 ratio	11.6%	4.3%	5.4%	5.8%	6.3%	Adj. EPS y/y growth	0.1%	3.7%	8.2%	(11.4%)	10.3%
CAR	11.4%	12.3%	5.1%	5.6%	6.1%	BVPS y/y growth	6.4%	(37.3%)	7.3%	5.3%	6.0%
Leverage Ratio	9.3%	3.4%	4.1%	4.6%	5.0%						
						Return on assets (ROA)	1.22%	1.21%	1.34%	1.17%	1.24%
Adj. net profit/employee	-	-	-	-	-	Return on equity (ROE)	8.1%	11.9%	13.6%	11.4%	11.9%
Assets/employee	-	-	-	-	-	Return on tangible equity (ROTE)	14.3%	13.8%	13.6%	11.4%	11.9%
Assets/equity	6.6	9.8	10.2	9.8	9.6						
Loans/deposits	93.6%	87.1%	86.0%	85.1%	84.6%	P/BV (x)	0.9	1.4	1.3	1.3	1.2
NPAs / gross loans, OREO	0.3%	0.3%	0.3%	0.3%	0.3%	P/TBV (x)	1.5	1.4	1.3	1.3	1.2
Net chargeoffs / average loans	0.3%	0.3%	0.4%	0.3%	0.3%	Adj. P/E (x)	11.4	11.0	10.1	11.4	10.4
Loan loss reserves / loans	0.7%	1.5%	1.4%	1.4%	1.3%	Dividend yield	4.8%	4.8%	4.8%	4.8%	4.8%
Loan loss reserves / NPLs	245.5%	482.4%	494.4%	536.3%	475.8%	Dividend payout	52.3%	NM	48.4%	54.6%	50.5%

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Dec

Valley National Bancorp: Summary of Financials

Income Statement - Annual						Income Statement - Quarterly					
	FY19A	FY20A	FY21E	FY22E	FY23E		1Q21E	2Q21E	3Q21E	4Q21E	
Interest income	903	1,123	1,205	1,270	1,327	Interest income	291	297	307	310	
Interest expense	-	-	-	-	-	Interest expense	-	-	-	-	
Net interest income	903	1,123	1,205	1,270	1,327	Net interest income	291	297	307	310	
Non interest income	138	184	181	188	194	Non interest income	44	45	45	46	
Net revenues	1,041	1,307	1,385	1,458	1,521	Net revenues	335	342	352	356	
Provisions	(24)	(126)	(95)	(99)	(104)	Provisions	(23)	(23)	(24)	(24)	
Non interest expense	(560)	(605)	(631)	(655)	(677)	Non interest expense	(157)	(155)	(159)	(160)	
Employee costs	-	-	-	-	-	Employee costs	-	-	-	-	
Adj. PBT	457	530	648	692	729	Adj. PBT	153	160	167	168	
Income taxes	(147)	(139)	(162)	(173)	(160)	Income taxes	(38)	(40)	(42)	(42)	
Minority interest	0	0	0	0	0	Minority interest	0	0	0	0	
Adj. Net profit	316	387	473	506	556	Adj. Net profit	111	117	122	123	
Reported EPS	0.88	0.93	1.17	1.27	1.42	Reported EPS	0.28	0.29	0.30	0.30	
Adj. EPS	0.94	0.96	1.17	1.27	1.42	Adj. EPS	0.28	0.29	0.30	0.30	
DPS	0.44	0.44	0.44	0.44	0.44	DPS	0.11	0.11	0.11	0.11	
Diluted shares outstanding	338	404	404	399	392	Diluted shares outstanding	404	404	404	404	
Balance Sheet						Balance Sheet					
	FY19A	FY20A	FY21E	FY22E	FY23E		1Q21E	2Q21E	3Q21E	4Q21E	
Cash and cash equivalents	435	1,329	1,329	1,329	1,329	Cash and cash equivalents	1,329	1,329	1,329	1,329	
Net loans	29,536	31,968	32,758	34,156	36,631	Net loans	32,163	31,908	32,323	32,758	
PP&E	-	-	-	-	-	PP&E	-	-	-	-	
Net intangibles	1,460	1,453	1,446	1,438	1,431	Net intangibles	1,451	1,449	1,447	1,446	
LT investments	-	-	-	-	-	LT investments	-	-	-	-	
Total assets	37,436	40,686	40,971	42,559	44,301	Total assets	40,882	40,531	40,746	40,971	
Interest earning assets	-	-	-	-	-	Interest earning assets	-	-	-	-	
Total deposits	29,186	31,936	32,220	33,809	35,551	Total deposits	32,131	31,780	31,995	32,220	
Borrowings	-	-	-	-	-	Borrowings	-	-	-	-	
Total liabilities	33,262	36,304	36,293	37,551	38,909	Total liabilities	36,432	36,009	36,146	36,293	
Interest bearing liabilities	-	-	-	-	-	Interest bearing liabilities	-	-	-	-	
Shareholder equity	4,174	4,382	4,678	5,009	5,392	Shareholder equity	4,449	4,522	4,599	4,678	
Total Liabilities and Shareholder Equity	37,436	40,686	40,971	42,559	44,301	Total Liabilities and Shareholder Equity	40,882	40,531	40,746	40,971	
Book Value Per Share	10.35	10.85	11.58	12.64	13.85	Book Value Per Share	11.02	11.20	11.39	11.58	
Tangible Book Value Per Share	6.73	7.25	8.00	9.01	10.18	Tangible Book Value Per Share	7.42	7.61	7.80	8.00	
Ratio Analysis (%)						Ratio Analysis (%)					
	FY19A	FY20A	FY21E	FY22E	FY23E		FY19A	FY20A	FY21E	FY22E	FY23E
Net interest margin	3.0%	3.0%	3.1%	3.2%	3.2%	Net loans y/y growth	18.7%	8.2%	2.5%	4.3%	7.2%
Non interest income/Net Revenue	13.3%	14.1%	13.0%	12.9%	12.8%	Deposits y/y growth	19.4%	9.4%	0.9%	4.9%	5.2%
Efficiency ratio	53.8%	46.3%	45.6%	45.0%	44.5%	Net interest income y/y growth	4.6%	24.4%	7.3%	5.4%	4.5%
Tier 1 ratio	10.2%	10.1%	10.9%	11.5%	12.2%	Adj. EPS y/y growth	14.3%	2.4%	22.2%	8.3%	11.9%
CAR	9.4%	9.4%	10.2%	10.9%	11.5%	BVPS y/y growth	9.2%	4.8%	6.7%	9.1%	9.6%
Leverage Ratio	8.9%	7.9%	8.6%	9.2%	9.7%						
						Return on assets (ROA)	0.95%	0.96%	1.16%	1.21%	1.28%
Adj. net profit/employee	-	-	-	-	-	Return on equity (ROE)	9.5%	9.0%	10.5%	10.5%	10.7%
Assets/employee	-	-	-	-	-	Return on tangible equity (ROTE)	14.4%	14.2%	15.4%	14.9%	14.8%
Assets/equity	10.0	9.5	9.0	8.6	8.4						
Loans/deposits	101.2%	100.1%	101.7%	101.0%	103.0%	P/BV (x)	1.3	1.2	1.2	1.1	1.0
NPAs / gross loans, OREO	0.6%	0.8%	0.7%	0.5%	0.5%	P/TBV (x)	2.0	1.9	1.7	1.5	1.3
Net chargeoffs / average loans	0.1%	0.1%	0.3%	0.3%	0.3%	Adj. P/E (x)	14.4	14.1	11.5	10.7	9.5
Loan loss reserves / loans	0.6%	0.8%	1.0%	0.9%	0.9%	Dividend yield	3.3%	3.3%	3.3%	3.3%	3.3%
Loan loss reserves / NPLs	173.2%	132.3%	212.2%	312.1%	312.5%	Dividend payout	50.0%	47.1%	37.6%	34.7%	31.0%

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Dec

Webster Financial Corporation: Summary of Financials

Income Statement - Annual						Income Statement - Quarterly					
	FY19A	FY20A	FY21E	FY22E	FY23E		1Q21E	2Q21E	3Q21E	4Q21E	
Interest income	965	902	904	960	1,041	Interest income	219	223	229	233	
Interest expense	-	-	-	-	-	Interest expense	-	-	-	-	
Net interest income	965	902	904	960	1,041	Net interest income	219	223	229	233	
Non interest income	285	291	302	319	335	Non interest income	74	75	77	77	
Net revenues	1,250	1,192	1,206	1,279	1,376	Net revenues	293	298	305	310	
Provisions	(38)	(138)	(74)	(78)	(83)	Provisions	(18)	(18)	(19)	(19)	
Non interest expense	(710)	(713)	(679)	(669)	(701)	Non interest expense	(178)	(172)	(165)	(164)	
Employee costs	-	-	-	-	-	Employee costs	-	-	-	-	
Adj. PBT	487	280	437	519	578	Adj. PBT	91	103	119	124	
Income taxes	(104)	(59)	(94)	(112)	(124)	Income taxes	(20)	(22)	(26)	(27)	
Minority interest	0	0	0	0	0	Minority interest	0	0	0	0	
Adj. Net profit	374	247	337	398	445	Adj. Net profit	71	80	91	95	
Reported EPS	4.06	2.35	3.76	4.58	5.22	Reported EPS	0.78	0.88	1.03	1.08	
Adj. EPS	4.07	2.74	3.80	4.58	5.22	Adj. EPS	0.79	0.90	1.03	1.08	
DPS	1.53	1.60	1.60	1.60	1.60	DPS	0.40	0.40	0.40	0.40	
Diluted shares outstanding	92	90	89	87	85	Diluted shares outstanding	89	89	89	88	
Balance Sheet						Balance Sheet					
	FY19A	FY20A	FY21E	FY22E	FY23E		1Q21E	2Q21E	3Q21E	4Q21E	
Cash and cash equivalents	185	194	194	194	194	Cash and cash equivalents	194	194	194	194	
Net loans	19,828	21,339	21,480	22,752	24,109	Net loans	21,257	20,996	21,163	21,480	
PP&E	-	-	-	-	-	PP&E	-	-	-	-	
Net intangibles	560	561	557	553	549	Net intangibles	560	559	558	557	
LT investments	-	-	-	-	-	LT investments	-	-	-	-	
Total assets	30,389	32,591	33,101	34,713	36,470	Total assets	32,835	32,531	32,777	33,101	
Interest earning assets	-	-	-	-	-	Interest earning assets	-	-	-	-	
Total deposits	23,325	27,335	27,849	29,466	31,227	Total deposits	27,581	27,278	27,525	27,849	
Borrowings	-	-	-	-	-	Borrowings	-	-	-	-	
Total liabilities	27,327	29,501	29,919	31,372	32,920	Total liabilities	29,737	29,415	29,630	29,919	
Interest bearing liabilities	-	-	-	-	-	Interest bearing liabilities	-	-	-	-	
Shareholder equity	3,063	3,090	3,182	3,341	3,550	Shareholder equity	3,098	3,116	3,147	3,182	
Total Liabilities and Shareholder Equity	30,389	32,591	33,101	34,713	36,470	Total Liabilities and Shareholder Equity	32,835	32,531	32,777	33,101	
Book Value Per Share	33.45	34.46	36.25	38.86	42.14	Book Value Per Share	34.65	34.93	35.32	35.85	
Tangible Book Value Per Share	27.33	28.21	29.91	32.43	35.62	Tangible Book Value Per Share	28.47	28.83	29.34	29.91	
Ratio Analysis (%)						Ratio Analysis (%)					
	FY19A	FY20A	FY21E	FY22E	FY23E		FY19A	FY20A	FY21E	FY22E	FY23E
Net interest margin	3.6%	3.0%	2.9%	3.0%	3.1%	Net loans y/y growth	8.6%	7.6%	0.7%	5.9%	6.0%
Non interest income/Net Revenue	22.8%	24.4%	25.1%	24.9%	24.4%	Deposits y/y growth	6.7%	17.2%	1.9%	5.8%	6.0%
Efficiency ratio	56.8%	59.8%	56.3%	52.3%	51.0%	Net interest income y/y growth	5.4%	(6.5%)	0.2%	6.2%	8.4%
Tier 1 ratio	12.2%	11.5%	11.7%	11.8%	12.0%	Adj. EPS y/y growth	8.5%	(32.6%)	38.4%	20.6%	14.0%
CAR	-	-	-	-	-	BVPS y/y growth	12.2%	3.0%	5.2%	7.2%	8.4%
Leverage Ratio	9.2%	8.3%	8.5%	8.6%	8.8%						
Adj. net profit/employee	-	-	-	-	-	Return on assets (ROA)	1.29%	0.77%	1.03%	1.17%	1.25%
Assets/employee	-	-	-	-	-	Return on equity (ROE)	12.8%	8.1%	10.8%	12.2%	12.9%
Assets/equity	9.9	10.6	10.5	10.4	10.4	Return on tangible equity (ROTE)	15.8%	10.1%	13.2%	14.7%	15.4%
Loans/deposits	85.0%	78.1%	77.1%	77.2%	77.2%	P/BV (x)	1.7	1.6	1.5	1.4	1.3
NPAs / gross loans, OREO	1.5%	1.5%	2.6%	2.2%	2.0%	P/TBV (x)	2.0	2.0	1.8	1.7	1.6
Net chargeoffs / average loans	0.2%	0.2%	0.5%	0.4%	0.4%	Adj. P/E (x)	13.6	20.2	14.6	12.1	10.6
Loan loss reserves / loans	1.0%	1.4%	1.5%	1.4%	1.3%	Dividend yield	2.8%	2.9%	2.9%	2.9%	2.9%
Loan loss reserves / NPLs	138.6%	179.6%	80.4%	96.5%	93.4%	Dividend payout	37.7%	68.2%	42.6%	34.9%	30.6%

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Dec

Zions Bancorp NA: Summary of Financials

Income Statement - Annual						Income Statement - Quarterly				
	FY19A	FY20A	FY21E	FY22E	FY23E		1Q21E	2Q21E	3Q21E	4Q21E
Interest income	2,298	2,243	2,191	2,283	2,420	Interest income	536	534	554	568
Interest expense	-	-	-	-	-	Interest expense	-	-	-	-
Net interest income	2,298	2,243	2,191	2,283	2,420	Net interest income	536	534	554	568
Non interest income	569	575	596	624	656	Non interest income	148	148	150	151
Net revenues	2,867	2,818	2,787	2,907	3,076	Net revenues	684	681	703	719
Provisions	(39)	(414)	(170)	(177)	(184)	Provisions	(42)	(42)	(43)	(43)
Non interest expense	(1,692)	(1,642)	(1,685)	(1,741)	(1,808)	Non interest expense	(420)	(419)	(421)	(426)
Employee costs	-	-	-	-	-	Employee costs	-	-	-	-
Adj. PBT	1,052	672	904	961	1,052	Adj. PBT	215	214	233	243
Income taxes	(237)	(133)	(208)	(226)	(247)	Income taxes	(49)	(49)	(53)	(56)
Minority interest	0	0	0	0	0	Minority interest	0	0	0	0
Adj. Net profit	836	552	658	697	767	Adj. Net profit	156	155	170	177
Reported EPS	4.19	3.05	4.07	4.44	5.05	Reported EPS	0.96	0.96	1.05	1.11
Adj. EPS	4.48	3.34	4.07	4.45	5.05	Adj. EPS	0.96	0.96	1.05	1.11
DPS	1.28	1.36	1.36	1.36	1.36	DPS	0.34	0.34	0.34	0.34
Diluted shares outstanding	187	166	161	157	152	Diluted shares outstanding	163	162	161	160
Balance Sheet						Balance Sheet				
Cash and cash equivalents	1,227	6,839	4,839	2,839	2,839	Cash and cash equivalents	6,839	6,839	5,839	4,839
Net loans	48,709	53,476	51,089	53,123	55,288	Net loans	51,843	50,217	50,650	51,089
PP&E	-	-	-	-	-	PP&E	-	-	-	-
Net intangibles	1,014	1,015	1,015	1,015	1,013	Net intangibles	1,015	1,015	1,015	1,015
LT investments	-	-	-	-	-	LT investments	-	-	-	-
Total assets	69,172	81,476	79,997	80,848	82,779	Total assets	79,657	78,535	79,260	79,997
Interest earning assets	-	-	-	-	-	Interest earning assets	-	-	-	-
Total deposits	57,085	69,653	68,374	69,525	71,756	Total deposits	67,884	66,812	67,587	68,374
Borrowings	-	-	-	-	-	Borrowings	-	-	-	-
Total liabilities	62,385	74,156	72,439	73,107	74,778	Total liabilities	72,287	71,115	71,774	72,439
Interest bearing liabilities	-	-	-	-	-	Interest bearing liabilities	-	-	-	-
Shareholder equity	6,787	7,320	7,558	7,741	8,001	Shareholder equity	7,371	7,420	7,485	7,558
Total Liabilities and Shareholder Equity	69,172	81,476	79,997	80,848	82,779	Total Liabilities and Shareholder Equity	79,657	78,535	79,260	79,997
Book Value Per Share	41.12	44.61	47.15	49.94	53.29	Book Value Per Share	45.19	45.76	46.43	47.15
Tangible Book Value Per Share	34.98	38.42	40.82	43.39	46.54	Tangible Book Value Per Share	38.96	39.50	40.14	40.82
Ratio Analysis (%)						Ratio Analysis (%)				
Net interest margin	3.5%	3.2%	2.9%	3.0%	3.1%	Net loans y/y growth	4.3%	9.8%	(4.5%)	4.0%
Non interest income/Net Revenue	19.8%	20.4%	21.4%	21.5%	21.3%	Deposits y/y growth	5.5%	22.0%	(1.8%)	1.7%
Efficiency ratio	59.0%	58.3%	60.5%	59.9%	58.8%	Net interest income y/y growth	2.0%	(2.4%)	(2.3%)	4.2%
Tier 1 ratio	10.2%	10.8%	11.4%	11.6%	11.8%	Adj. EPS y/y growth	8.4%	(25.5%)	22.1%	9.1%
CAR	10.2%	10.8%	12.4%	12.6%	12.8%	BVPS y/y growth	10.0%	8.5%	5.7%	5.9%
Leverage Ratio	8.2%	7.9%	7.9%	8.0%	8.2%					
Adj. net profit/employee	-	-	-	-	-	Return on assets (ROA)	1.20%	0.73%	0.83%	0.87%
Assets/employee	-	-	-	-	-	Return on equity (ROE)	12.0%	7.3%	8.9%	9.1%
Assets/equity	10.0	10.0	10.7	10.5	10.4	Return on tangible equity (ROTE)	14.1%	9.1%	10.2%	10.5%
Loans/deposits	85.3%	76.8%	74.7%	76.4%	77.0%	P/BV (x)	1.3	1.2	1.1	1.1
NPAs / gross loans, OREO	0.7%	1.1%	1.4%	1.1%	0.9%	P/TBV (x)	1.5	1.4	1.3	1.2
Net chargeoffs / average loans	0.1%	0.2%	0.5%	0.5%	0.4%	Adj. P/E (x)	12.0	16.2	13.2	12.1
Loan loss reserves / loans	1.0%	1.5%	1.3%	1.1%	1.0%	Dividend yield	2.4%	2.5%	2.5%	2.5%
Loan loss reserves / NPLs	203.6%	211.6%	139.3%	166.6%	200.2%	Dividend payout	30.6%	44.6%	33.4%	30.6%

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Dec

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